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Organizational, Theoretical Aspects of Self-Management

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[Article by Svetoslav Stavrev: "Self-Management: Mirage, Slogan, or Reality?"]

[Text] Debates on problems of self-management, the cautious and not entirely consistent and confident steps toward its legislative codification, lack of synchronization between declarations of principle and legal decisions on their implementation and the disparity between decisions and reality are all confirmations of the need for further scientific and applied solutions.

1. Where To Begin?

The following linguistically doubtful, theoretically vulnerable and practically misleading expression of "combining management with self- management" has become widespread in our country. I raise this question not for reasons of scientific pettiness or linguistic pedantry. The point is that self-management is not something different in terms of quality or meaning if it is to be related to management. It is simply a means of practicing management. The purpose of management, taking an enterprise as an example, is to direct, organize (through coordination and subordination) and regulate the course of the labor-production process, equally valid in the case of what we describe as "management" and that which we indicate as "self-management." Actually, by saying "combination of management with self-management" we instill in a rather careless semantic way, the fact that management takes place through the parallel use of two methods, two approaches, two models, two mechanisms, two technologies, two structures, etc.: "managerial" and "self- managerial."

In its generally accepted meaning "managing" an enterprise means the following: a. The main management impetus comes from the outside, as a rule from superiors and, above all, from the central state authorities, from which also come the basic restrictions to its activities; b. In the formulation of managerial decisions made autonomously by the enterprise a specialized administrative apparatus (cadres, equipment, technology, structure) has been used, which we shall describe as specialized management.

We speak of "self-management" in the following sense: a. The enterprise manages itself, i.e., the decisions pertaining to the organization of its production and labor activities are made independently; the enterprise is a separate and relatively independent subject of economic activity and management. This makes "self- management" an alternative to central management, for which reason we describe this type of management as self-management; b. Management decisions are formulated and adopted by the enterprise's labor collective while management organizes the implementation of the decisions made by the collective. It is thus that "self-management" becomes a counterpoint to specialized management. Therefore, it would be most accurate if first we distinguish in managing an enterprise between management "from the outside" or central management, and management "from within," or self-management; second, we separate each of these two forms of management into specialized management and self-management. I shall subsequently express some considerations relative to self-management as a component of the autonomous management of the enterprise.

It deem it useful to introduce one more terminological specification relative to distinguishing between the manager—director, deputy director, chief of shop or shift, etc.—as the representative of specialized management and the leader/manager (concept based on the terms "leader", indicating the origin of this group of cadres, and "manager," which describes its functions and role), who is the brigade leader, chairman of the council of brigade leaders or of the worker council, etc., as representing self-management. Nonetheless, these two groups of management cadres exist in the enterprise and the suggestion of describing them in different terms merely notes the actual difference between them.

It would be useful to refer to the experience of other countries as well in support of such further terminological specifications. In Poland, for instance, the economic reform under way since the start of the 1980s is known as the "three S:" self-autonomy, self-support and self-management. In the USSR as well a distinction is made between autonomy, self-financing, self-support and self-management. In our country, most frequently self-management includes autonomy, self-support and self-financing as well as "specific self-management" (see Iv. Angelov, "The strategy of Quality Changes" (Scroll 3). "*Noviyat Ekonomicheski Mekhanizm i Sotsialiticheskoto Stopansko Samoupravlenie*" [The New Economic Mechanism and Socialist Economic Self-Management]. Sofia, 1987). We realize that it is a question of interdependent presumed phenomena, but object to justifications in favor of using an inaccurate conceptual instrument, for it opens the gate to arbitrary interpretations and incompatible "self-management" formulations, evaluations and recommendations.

The fact that in some other languages the various types and aspects of management are described and verbalized through a variety of concepts which introduce substantial nuances in its meaning is less curious than it is instructive. Thus, in English "self-management" (self-government, home-rule) is not the equivalent of "comanagement" or "participative management) or else "joint government." However, no scientific convention has been developed on the meanings invested in the use of said terms, which would unify them in the English language. Matters relative to management are much clearer in German, due probably to long years of practice

in the FRG and Austria, in which a most clear distinction is made between "comanagement" (Mitbestimung), conceived as parity participation in decisionmaking by the specialized management (or the owners) and self-management (the workers) and "participation in management" (Mitwirkung), which indicates a non-parity participation in self-management in terms of the discussion and execution of decisions made by the specialized management.

Therefore, the need to distinguish between the two forms of enterprise self-management is necessary for the fact alone that one of them, specialized management, emphasizes the role and significance of the specialized managerial personnel and the professionals, frequently but quite erroneously described as "the administration," whereas the other, self-management, considers as the main administrative subject the entire labor collective, the entire enterprise personnel, acting directly or through its representatives.

2. Centralism and Self-Management Plus Specialized Management

The subjective difference between specialized management and self- management derives from the much more essential difference between the needs and interests which are the bases of the two forms of self-management and which take us to the consideration of profound sociological problems. Specialized management defends the needs and interests in the production activities of a given enterprise. These are impersonal needs and interests which must be met in connection with the reproduction of material, labor and organizational resources needed for the reproduction of the work process. From this viewpoint the enterprise is a production mechanism which, in order to be able to function in accordance with its purpose, needs strictly determined prerequisites and it is the function of the specialized management to secure and maintain such prerequisites. This means that specialized management proceeds on the basis of production or, respectively, labor as a social activity and its needs and interests and is directed toward the creation and maintenance of the necessary complex conditions for the normal functioning of the enterprise as a production system, i.e., as an institution needed for the implementation of its activities.

A different image of the enterprise emerges when looked at from the viewpoint of those it employs, the labor collective. At this point it is not simply a production mechanism but a social community in which and through which the people satisfy their human needs and interests. This brings to light the other nature of labor—behavioral—correlated with self-management, the purpose of which is to defend the labor needs and interests of the working subjects participating in the reproduction process.

Naturally, in both specialized and self-management the target of decisions may be one and the same: the joint labor of the people, thanks to which the production process takes place. However, it is the difference in viewpoints that deserves consideration. On the one side we have the enterprise which, if we may say so, exists for the sake of production, whereas we find at the opposite end the enterprise which, in turn, produces in order to exist. The motivation of specialized management is based on system-institutional requirements and interests of the impersonal social activities performed by the enterprise, the purpose of which is the satisfaction of specific social requirements. The motivation in self-management is based on group-collective and individual needs and interests of the people and the personified subjects of labor behavior. Behavior is a means of activity and vice-versa; self-management is the irreplaceable partner of specialized management and vice-versa. As an instrument for the satisfaction of the work needs and interests of the production process, specialized management must take into consideration the behavioral needs and interests of the enterprise's personnel, for without behavior there is no activity. In turn, as an instrument for the satisfaction of behavioral labor motivation, self-management must objectively take into consideration the demands related to activity motivations, for if a labor behavior is to exist at all there must be a labor activity which would need it. It is thus that we reach less a state of confrontation than interaction, including conflicts between the two forms of autonomous enterprise management. It is exceptionally important to realize this in order to be able suitably to assess practical changes and separate the "gloss" from the essence and the slogan from reality. This is because, unquestionably, the enterprise's management, regardless of whether it has been appointed or elected by both superior or subordinate bodies, remains, in all cases, in terms of role and purpose, the subject of specialized management. Even if the entire management of the enterprise is to be elected we must distinguish between specialized and self-management, for electiveness, whatever the institution, does not mean its elimination. The autonomous management of the enterprise becomes reality thanks to the combined, complementing, controlling and correcting reciprocal use of specialized and self-management, respectively of the labor of managers, leaders/managers, specialists and workers.

Neither autonomous management nor self-management has ever or anywhere been absolute and unlimited. This is ignored by the poorly concealed enemies of self-management, who become invariably energized during times of crucial changes in social life. The leitmotif of their views is painfully familiar for the simple reason that their arguments are always the same: fear of resurrection of the market element, intensification of centrifugal forces and trends, support of anarchosyndicalism and posing a threat to the unity of socialist ownership (interpreted, who knows why, exclusively as state ownership) and other similar ever more frightening calamities. Since basic centralized management is essentially

simpler and appears "safer," in frequent cases such "academic" considerations have played a decisive role in practical life. It was thus that, displaying remarkable "timeliness," the self-management principle was restrained in order to hastily convert it from a fragile but real hope into a mirage in the midst of the frozen kingdom of an administrative system, decorated with technological rationalism but suffering from incurable bureaucratism. The defenders of omnipotent centralism neither notice nor realize or else, purely and simply refuse to notice and understand the fact that real economic relations and processes follow their own objective logic of development which has very few points of contact with the intentions and decisions of the "center" and the fact that the gap between decrees issued from above and reality keeps widening.

Actually there is no limitless enterprise autonomy even where the most antigovernmental economic models in today's world are being applied: Reaganomics and Thatcherism. What then is left in the case of a modern socialist state which firmly controls power means of channeling self- management, such as ownership, political power, budget, prices and a variety of economic laws? In order not to go back to the point at which we have frequently tried to make a start and have always failed we must most strongly reorient the center from direct management of enterprises to shaping and regulating an economic environment in which the enterprises will freely seek their optimal development. Centralized management is manifested, on a much higher level, not as decreed planned management orders from above but in the development of conditions or a general economic climate consistent with social needs and interests and accurately reflecting governmental strategic targets. It is thus that with the help of socioeconomic validated long-term standards, pricing systems, credits, interest rates, comprehensive target programs, state orders (placed on a competitive basis), etc., certain limits are set and the socially desirable trend of autonomy and initiative are properly channeled, and the independence of the enterprises is guaranteed within said limits. In short, autonomous management does not reject but instead needs central management, provided by the socialist state and vice-versa. Therefore, it would be unwise to pit one against the other or to superimpose one on the other by force.

3. Sociopolitical Arguments for Self-Management

We must take into consideration the fact that problems of self-management are neither specifically ours nor recent. It can be said that in economics the topic of management (self-management in political life became relevant with the appearance of human society and it became the target of intellectual and moral studies and assessments virtually alongside the appearance of the state, and has invariably paralleled evolutionary and revolutionary changes in its structure) appeared with the development of industrial production, when labor movements in the developed countries revealed by the turn of the century the strength of worker demands to participate in management (such as the "shop steward" movement in Britain, which is still extant and even stronger today (see V. Vinogradov. "*Rabochiy Kontrol nad Proizvodstvom: Teoriya, Istoriya, Sovremennost*" [Worker Control of Production: Theory, History, Contemporaneity], Moscow, 1983, p 191)). Furthermore, efforts at introducing self-management in production are being made in both economically strong and underdeveloped countries, with capitalist or socialist orientation. However, the relevance of self-management is not determined by the same factors. A number of researchers, such as W. Spinrad, V. Vinogradov, V. Uvarov and L. Zayko (W. Spinrad. "Democracy in the Enterprise: A General Overview." REVUE INTERNATIONALE DES SCIENCES SOCIALES, No 2, 1984, pp 201-226; V. Vinogradov, op.cit., p 281; V.P. Uvarov and L.F. Zayko. "*Ekonomicheskoye Samoupravleniye: Politekonomicheskiy Analiz Sotsialdemokraticheskoy Teorii i Buzhuaznoy Praktiki*" [Economic Self-Management: Political Study of Social Democratic Theory and Bourgeois Practice]. Minsk, 1985, pp 99-100), have emphasized the determining role of the following factors in terms of broadening self-management under capitalism: a. Favorable economic situation which allows making experiments in management and introducing new developments, but in which any hint of stagnation or start of a crisis sweeps away the rights workers have acquired through their efforts; b. The existence of strong trade unions which consolidate the positions held by labor in its conflicts with capital and which increase the pressure applied on the owners from below. The motive forces of self-management under socialism proved to be quite different: a. Virtual exhaustion of opportunities for extensive development and delayed pace of economic growth; b. Low and worsening degree of efficient utilization of available production resources; c. Weak and declining labor activeness, initiative and economic responsibility of the manpower.

Without underestimating in the least differences in motive forces and in the objective application of self-management under marketplace control and planned management (as types or trends, for they do not exist in a pure state), I believe that in both cases the guiding motivation is the desire for fuller and more efficient utilization and application of the labor behavioral potential of the people in social life, in economic in particular. At the very start of the 1980s the claims voiced by American business concerning management were expressed as follows: "One of the most important tasks of management in the 1980s is finding ways of identifying the potential within the bulk of the working class" (HARVARD BUSINESS REVIEW, Jan-Feb 1981, p 46). Somewhat later T. Zaslavskaya created excitement with an article published in KOMMUNIST ("The Human Factor in the Development of the Economy and Social Justice," KOMMUNIST No 13, 1986, p 62), the theme

of which was that "Society becomes increasingly dependent on the individual qualities" of the people and the efficient type of management is the one which can harness and use them in promoting social progress.

Also important is the fact that for at least a decade self-management, conceived as "mass participation in decisionmaking," has been considered one of the so-called "basic needs," the official meaning of which is the following: "The minimal living standard which society must provide to its poorest members" ("Employment, Growth and Basic Needs. A One World Problem." Geneva, 1976, p 7). Soviet researcher M. Kozyreva established that, invariably, basic needs, both according to documents of the ILO and the views of a number of authors (R. Greene, I. Haltung, and others) include "mass participation in decisionmaking (M.V. Kozyreva. "*V Poiskakh Novykh Modeley Razvitiya*" [Search for New Models of Development], Moscow, 1987, pp 19-20 and others). Although the term "participation in" is not entirely clear, nor is the way of determining the extent of such "participation" and the nature of decisions to which it applies, we point out these international agreements to emphasize the megapolitical aspect of our restructuring.

The need for the labor realization and advancement of the intellectual and moral energy of the people in their self-management is very closely related to the development of their personalities and to the new professional and labor profile of the contemporary person. The uneducated, low-skilled, poorly informed and unpretentious worker of the age of initial accumulation, the person whose rather simple labor character justifiably turned Taylorism into an organized classical movement, is on his way to oblivion. He is replaced not simply by a new generation but by a new quality of workers and employees described pretenciously or tendenciously, but always indicatively, as associative individuals (Toffler), "the new working class" (Goudner and Jankelovich), people with "postindustrial values" (Kahn), etc. I believe that they can easily be noticed among us, if not entirely at least as the real harbingers of a new labor population with a rich culture, independence of thought, extensive amount of information, exigent in terms of working conditions and nature of the work, nonstandardized behavior, and so on. These new echelons of workers and intellectuals do not appear by accident. It is precisely they and not the semi-literate stiffs in greasy overalls or the anonymous and cowardly but power-greedy dandies, acting like dummies, who will make the scientific and technical revolution. They are our hope for renovation and acceleration. However, these same people neither could nor should be managed as in the past, for they are the bearers of the type of culture, sensitivity and morality toward which the use of coarse administrative tools would be unsuccessful.

Self-Government Demands a New Style of Management Thinking

(I expect at this point for the reader to smile skeptically, suspecting me, of sliding into conformism, but I comfort myself with the thought that popular statements are not necessarily indications of social demagogy.)

The first aspect of the necessary new style of managerial thinking is related to the unrestricted and somewhat ostentatious proclamation of the so-called dialogue principle in the exercise of management relations, vertical relations in particular. We ca easily note a certain haste in statements and a mistrustful conservatism in the practical implementation of daring statements. I consider this normal. We are as much in step with fashion verbally as we are old-fashioned in our actions. In order to close the gap between the dialogue-principle and the dialogue-practice, we must assess calmly and without haste the best substantiated and justified answers to the following questions:

a. Is subordination, as a permanent feature of hierarchical systems compatible with the dialogue between subjects on different levels of the hierarchy? I believe that the accurate answer to this question may be assisted with the help of other stipulations as follows:

—A dialogue is possible only between sides equal in terms of the subject under discussion;

—Hierarchical subordination is not absolute and unlimited, but in terms of the area or object of activity to which it pertains the use of a dialogue becomes greatly limited or even impossible;

—A dialogue is made possible not only by equality but also equal value (the concept that the strong and the weak have equal rights is an old error) in terms of the object of the dialogue, i.e., in practical terms it is necessary and applicable in regulating relations between parties which are equally dependent on each other as are, in numerous matters, not only hierarchically equal but also unequal subjects of management.

b. What rules should govern a dialogue? For the time being we have no clear idea whatsoever on this matter, as was demonstrated by the minor tone in which some vague attempts at conducting a vertical dialogue ended for one of the parties. I submit the following rules for discussion and investigation:

—Either side engaged in a dialogue in accordance with the law must have the absolute opportunity to express its disagreement with the other side on dialogue topics;

—The exercise of administrative (or political, ideological, moral, etc.) coercion applied before, during or after the dialogue by one side against the other is inadmissible and must be viewed as arbitrary;

—A dialogue must be concluded with a bilateral accord (contract, agreement, etc.), equally binding to both sides, and suspended unilaterally only on the basis of the strict

observance of the conditions and consequences stipulated in economic and labor legislation (which also needs to be improved in order to ensure the legality of the dialogue).

c. What types of dialogue could and should be applied in practice? This is a question raised by practical experience in which two types of dialogue have taken shape:

—For the purpose of decision making by two interested parties, and

—For preparing one of the parties (the superior one) to make a decision, in the course of which preparations it seeks the opinion of the other party but does not have to take it into consideration in making the decision itself.

In my view, a complete and true management dialogue is the one described in the first case, whereas in the second we have nothing but a preliminary survey, a sounding in the course of which one of the sides is active because it is strong while the other is passive because it is not. Nonetheless, I do not totally exclude the usefulness of this form of dialogue, for it represents a step forward compared to the unforgivable arrogance of pure hierarchical coercion and the newly-hatched scorn for and, in general, indifference toward the views of specialists. The dialogue between the manager and the specialist is a reality. However, in order to enhance its "efficiency coefficient" the following must be observed: First, reducing the administrative dependency of the specialists on the leading personnel, achieved through the assertion of their rights and responsibilities in the formulation of managerial decisions and, particularly, the right to express and defend their own views as specialists in some areas, without fear of punishment; second, a reorientation of the attitude and the stance of the specialists in giving advice to professional management, not only to specialized management but also in cases of self-management and leaders/managers.

The second aspect of the new management thinking applies to the "authority-management" relationship and the redistribution of the power potential of enterprises converting from primarily centralized to intensified self-management, attainable through the balanced application of specialized and self-management components. A small aside is necessary at this point, in order to describe, albeit briefly, our concept of the organizational (not political, religious or intellectual) power (see S. Stavrev, "Management, Power, Statute," IKO, No 5, 1987). It is a social force on which management is based. Power and management cannot be understood, explained or controlled one without the other. Unless converted into management, power is unjustified economically, politically and morally. Furthermore, it is a manifestation of social parasitism. Management not backed by power is potentially ready to develop into quietism and Oblomovist day-dreaming. That is why both management and power are functionally and genetically related to the joint life and work of the people, and the social systemic needs and interests, the satisfaction of which makes power (as a potential) and management (as the application of this potential) necessary. The purpose of power is to back management with its force and not to enrich those who hold it. I am not blind to the sad historical fact that abuses have been the companions of power ever since it appeared. However, I consider one-sided efforts to support, on the basis of this fact, theoretical models of the so-called "asymmetric nature" of power itself (see D. Ivanov. "*Vlastta. Filosofsko-Sotsiologicheski Analiz*" [Power. A Philosophical and Sociological Study]. Sofia, 1985, pp 127, 135, etc.). In the same way that the fact that some nations love to eat veal while other consider it sacrilegious is no proof of the culinary or sacramental origin of the cow, acquisitive use of power is no indication of its origin and social purpose.

The power of the authorities is determined by their resources which could be classified into two groups: a. Institutional, which include the legal stipulations which determine the legal power (the legislative power); administrative means, which indicate the administrative power (the executive power); economic means, which provide the material power (the economic power) and, finally, the authority of the agency which supports the sociocultural power (the semiotic power), and b. personified, which include the following: qualification, which provides the professional power (the technocratic power); the capability of the power of the personality (the charismatic power)and, finally, reputation, on which the influence of those who exercise the power is based (the spiritual power).

The prevalent belief among leading cadres is that true power must be concentrated within a single area, in which a given authority is empowered to issue orders in accordance with its views concerning general system requirements and expediency, i.e., to make basic management decisions. Such a view on the organization of power and management almost inevitably leads to the deprivation of rights of all other labor subjects, therefore relieving them from responsibility for results. The result is a dangerous spreading of a contemplative-passive labor adjustment, which is a direct consequence of power-management centralism: let those who have the right to solve them cope with organizational problems; let those who have made decisions be responsible for the consequences; we are "the fifth wheel of the cart," doing what the leadership orders and are not responsible for other people's "sins." The new style of managerial thinking must deal precisely with this extremely dangerous but understandable sociopsychological attitude, which could be described as "labor-activity alienation" or "alienation from organization and management." We must acknowledge the need and expediency of a division of the overall power resources in the enterprise, such as to contribute to the conversion of all workers and employees into real management subjects. In order to exist and develop, self-management requires, in proportion to its functional partnership with specialized management, a corresponding participation in the distribution of power within the enterprise. This also requires

the restructuring of the information system in a way which would provide the necessary adequate information to all power holding authorities in the enterprise; the development and advancement of self-management authorities should not be the making and under the control of the specialized management and the administration but of the labor collectives, on their initiative and on the basis of their decisions.

The third aspect of the new style of management thinking pertains to the attitude toward contradictions and conflicts in the course of their identification and resolution. The consequence of two erroneous concepts, the first being "the coincidence among social, collective and individual interests," and the second the fact that "good management needs strong and concentrated power," led to the development and spreading of the third, according to which "there is no place for contradictions and conflicts in management, and if such nonetheless exist they are the result of errors made by the management or the lagging awareness of the managed." Today such dogmatic views are rarely voiced. Nonetheless there still are leading officials who interpret, and they are not the only ones to do so, disagreements as being the result of bad attitude, faultfinding or maniacal behavior (in its relatively safer variant of disagreement) or else as hostility toward the regime, political immaturity or even sabotage (in the second disagreement variant which is by no means harmless). Such a caveman's attitude toward contradictions and conflicts or else simply differences in criteria, evaluations, interpretations, forecasts, suggestions and others, which are not only natural but also absolutely necessary for efficient management could, in practice, kill many suitable and progressive legislative and other legal innovations.

Technological Support of Self-Management

This applies to the need to make self-management principles and legal provisions operational. Reality has frequently proved that it is one thing to proclaim the right to participate in management as a political concept, but that the situation changes the moment this right becomes legitimized or else when legal stipulations are applied. In this connection exceptionally instructive thoughts could result from a comparison between interpretations of self-management found in the party's concept of a new labor code, the new labor code itself and the new regulation on economic activities which followed it and the numerous decrees and resolutions adopted by the Council of Ministers following the enactment of the new regulation and, finally, the specific management practices of some enterprises. What I mean by the need for making self-management principles and legal stipulations operational is the following:

a. Self-management must be made technological, and thereby provide clear and unequivocal answers to questions, such as:

—What does it mean for a self-management authority to make leading decisions?

—What does it mean for that same authority to make decisions together with the specialized management authority?

—What does it mean for that same authority to participate in setting up a comanagement authority with representatives of specialized management on a parity basis?

—What does it mean for that authority to participate in the formulation of decisions by the specialized management authority?

b. A self-management hierarchy must be organized, which would be independent from the specialized management, but corresponding to it (without duplicating it), from the level of the primary labor collective to that of the basic labor collective, in which each newly organized self-management authority would have a status corresponding to its place within the self-management system (after a dialogue with the specialized management), through which it would participate in the division of power within the enterprise. The same method must be used in the organization of expedient comanagement authorities on the hierarchical levels at which specialized and self-management authorities will jointly determine their eventual usefulness and grant the necessary powers to such authorities.

c. The coordination and synchronization of the technology of self-management must be developed along with the technology of specialized management and comanagement, i.e.:

—Standard management tasks must be assigned to the specialized, self- and co-management authorities;

—The procedures applied by the various autonomous management authorities in the enterprise must be intercoordinated; particular attention must be paid to the means used in joint problem solving (a single problem solved by two separate authorities), participation in problem solving (one authority makes the decision and the other helps in drafting it), and co-resolving (the decision is made by the comanagement authority).

Sociopsychological Self-Management Factors

Success in self-management also depends on developing a favorable attitude toward it by the different parties. It is assumed that the leading personnel and, to a certain extent, the specialists are initially unsympathetic toward self-management, ranging from reserve to hostility (as stressed by Spinrad, in the newly opened Polish Center for the Study of Self-Management; see RAB. DELO. No 133, 13 May 1987, and No 198, 17 July 1987). This is understandable. Above all, the managers unquestionably realize that self-management will limit their power. We

know, however, that this has never been a smoothly running process. In order to calm down the "most power-jealous" managers let us also point out that a relative loss of power has its attractive sides, such as fewer obligations and responsibilities, headaches, stress, etc. Such consolations would be useless, however, if efforts to expand self- management are pursued without changing the correlation between centralized and autonomous management in favor of the latter. As an enterprise director said, paraphrasing Tennessee Williams, adding self-management to existing requirements and limitations from above (from centralized management) increased further requirements and limitations from below (from self-management), as a result of which it became increasingly like a "cat on a hot tin roof."

Another major reason for which managers are not enamored of self-management is their fear that it would result in worsening the quality of managerial decisions, due to the poor professional training of self-management authorities and leaders/managers. However sensible and serious this fear may seem, it is refuted by data found in specialized publications. On the basis of empirical data on the results of the application of various models of participation in management in capitalist enterprises, B. Blaszcyk established ("Participation II. From the Experience of Capitalist Enterprises." PRZEGLAD ORGANIZACJI, No 11, 1984, p 42) that the more extensive worker participation becomes the better management becomes. The revived interest in cooperative enterprises, which offer perhaps the most harmonious way of coexistence between specialized and self-management is an indirect proof of the fact that administrative activeness from below does not worsen but even improves the quality of managerial activities. This is entirely logical in the light of the dual (specialized and self) aspiration toward mutually profitable resolution of management problems and balanced satisfaction of active behavioral motivations in management decisionmaking. Not all managers would benefit personally from this, but whatever the case their work would benefit if there is someone who would oppose and correct them if they make errors. At to the type of self-confident "leaders" who consider themselves infallible and who consider such an alternative anarchic, let us recall the words of the Apostle: "We work for the fatherland, brother, you tell me your wrongs and I will tell you mine, so that we may improve and act jointly, like human beings" (See "For a Sacred and Pure Republic." Selected Pages from Vasil Levski's Letters. 1987, p 185).

The possibilities of self-management from below are of an entirely different nature. Expectations that, with official "highest" support, self-management would be welcomed with enthusiasm from below were not justified. Its development is being delayed not only because of unsurmounted fears and complexes on the part of the "power givers" but also because of the caution, mistrust and apathy on the part of the "recipients of power." For a number of reasons we notice from below the existence of a perhaps unexpected but empirically confirmed reluctance to become involved in self-management (see Yu.A, Tikhomirov, "*Sotsialisticheskoye Samoupravleniye Naroda*" [Socialist Self- Management by the People]. Moscow, 1987, 3, p 48; "*Trud v Kapitalistichskom Proizvodstve* [Labor in Capitalist Production], Moscow, 1984, p 21; RABOTNICHESKO DELO, No 133, 13 May 1987, etc.) as follows:

a. Greater rights also means increased responsibilities, which is not always a welcome fact. Furthermore, both rights and obligations are developed through practical application which was precisely lacking for many years among labor collectives, and more than one or two proofs must be given of the consistency and irreversibility of restructuring.

b. Participation in management is not a commonly desired organizational and labor alternative. The nature and content of the work has a major influence on the attitudes of the performers of simple or complex, hard or easy, mental or physical and monotonous or varied type of work toward self-management possibilities. It is neither justified nor just to demand of everyone to participate most actively in management. The existing division of labor is not a hardship or a burden to everyone, providing the people some relief by participating in management. There also are those to whom, regardless of how important management may be, prefer to let others engage in it, while they themselves are left alone to do their work. Irresponsible charges of egotism or individualism leveled against such people would be wrong.

c. Participation in management demands time, and stealing such time from work systematically is unjustified. Using leisure time is of no advantage to the individuals. An accurate answer to the question of how to act would be possible only as a result of special studies and analyses. We can already say, however, that the most successful solutions would be unlikely include unsalaried self-management or practicing it during leisure time (as suggested, for instance by Yu. Tikhomirov, op.cit., pp 49-50) or turning it into a professional job, which would mean the growth of self- into specialized management (it is an interesting fact that in ancient Athenian democracy, in the Fifth Century B.C. out of a total of 35,000 full citizens 20,000 received compensation for participating in management; see E.M. Chernilovskiy, "*Vseobshchaya Istoriya Gosudarstva i Prava*" [General History of the State and Law]. Moscow, 1983, p 49). Possibly some form of payment to the leaders/managers and self-management activists may be an acceptable variant. For the time being, that which we must avoid very carefully is not to alienate people who are ready to participate, by formulating clearly unacceptable organizational, economic and legal conditions, or providing excessively advantageous conditions, which would attract failed careerists and charlatans. Generally speaking, I believe that we must not allow self-management to become a labor duty, considered additional work, mandatory for all. It is also clearly dangerous for self-management to turn into an area for displaying one's speculative abilities and messianic ambitions.

Conclusion

Democratization and self-management, which is its management equivalent, are the greatest revolutionary social innovation in the development of socialist society from the time of its inception. For that reason its practical implementation will be very difficult and it would be illusory to think otherwise. Science, sociology in particular, could make a great contribution to its success by providing fresh ideas, engaging in original research and participating in the preparations for and carrying out a variety of socioeconomic experiments. This article is an attempt at involvement in this process.

05003

CZECHOSLOVAKIA

Special School Teaches Czech to Foreigners

24000090b Prague SVOBODNE SLOVO in Czech 5 Apr 88 p 3

[Article by Oldrich Doskocil: "The Czech Language With a Humorous Accent"]

[Text] Imagine that you have before you a group of young people of varying skin color, diverse philosophies of life, and mentality from all corners of this planet and that you are to begin to teach them Czech. No unifying language is available, on the basis of which it will be possible to begin. Some know English, but others only French, etc.

Each year the teachers of the Study Center of the Institute of Foreign Language and Specialized Training for Foreign Students at Charles University at Podebrady, which is the largest of its kind in Czechoslovakia, must face this situation. During this school year, there are more than 300 students here from 55 countries of the world who are preparing to study at academic, technical, and artistic advanced schools in the CSR.

Czech is not the only subject taught here. Gradually it is even diminishing at the expense of physics, geography, etc. However, these subjects are, of course, also taught in the Czech language. Over 2 semesters of 1 year, all students acquire the same knowledge as a Czechoslovak student taking the maturity examination.

The Study Center has been operating since 1983 in the reconstructed Podebrady chalet. It has modern language laboratories, a classroom equipped with IQ-151 computers. The teachers frequently enrich their instruction with the use of the most varied audiovisual programs.

But 36 teachers for 300 students is very little. The director of the center, L. Kaska, notes: "If anyone has an interest in this kind of work we will be glad to take him on. We need qualified philologists, teachers of Czech in combination with another language, preferably an oriental language. It can also be one of the current European world languages. We also need teachers of mathematics, physics, descriptive geometry, and others. We can even provide quarters for single people."

The school also takes care to utilize free-time opportunities: on borrowed tennis courts or in a gymnasium; it organizes soccer matches with members of the Union for Cooperation with the Army from the Bohemia Glass Works.

Some nations do not celebrate the Christmas holiday so that, during that time, some students earn extra money in the local sugar mill which has a labor shortage.

The culmination of joint efforts is the annual "Evening of Nations" at which the citizens of Podebrady get to know the popular sounds, music, songs, and dances originating even in the most remote portions of the world.

05911

Negative Social Phenomena Decried

24000083 Bratislava PRAVDA in Slovak 30 Mar 88 p 1

[Editorial: "Intensification of Discipline and Order"]

[Text] All social processes connected with the restructuring of society depend on comprehensive intensification of discipline and order.

In his address to the session of the CPCZ Central Committee in January of this year, Comrade Milos Jakes said: "To stand in the front ranks of the process of restructuring—that means to stand also in the front ranks of our struggle against negative phenomena in our society, such as corruption, illegal personal enrichment, misappropriation of socialist property, misuse of one's official position, violation of labor discipline, alcoholism, and so on. Such negative phenomena are very frequently topics of discussion in general terms, but instead of a high-principled approach to specific cases, we often encounter procrastination, hedging, concealment and even suppression of criticism.

"The discrepancy between words and deeds leads to detrimental ideological, ethical and political consequences and to distrust not only toward our state and economic agencies, but toward our party and socialism in general. We all must realize this fact. Therefore, the first and foremost task of our party, its agencies and organizations, and of every communist is a persistent and uncompromising battle against any behavior that is incompatible with ethical socialist values, no matter who may be affected and what his or her official status may be.

"Nobody is exempt from public control and legitimate criticism."

There can be no doubt that these words rang in the ears of many working people who share this view and who endorse it in their actions and by their deeds. Demands for stricter discipline, be it party, state, technological or civic discipline, always strike a receptive chord in honest people who are aware that socialism cannot succeed, unless discipline prevails in every area of our public life.

Much has changed since 1983 when the Letter by the Presidium of the CPZC Central Committee was adopted, urging party organizations to step up their struggle against violations of principles of socialist legality, ethics and discipline, and since its publication in RUDE PRAVO and PRAVDA after the 17th CPCZ Congress. Several party agencies and organizations have changed their approach to negative phenomena; in their operational programs and in their style of work our party organizations now include reviews of developments in this particular area, and evaluation of cadres according to their integrity and uncompromising attitude toward negative phenomena, but we still are far from a satisfactory situation and far from the desirable fundamental changes.

This was confirmed at a meeting on compliance with socialist laws, ethics and discipline, held jointly by RUDE PRAVO and PRAVDA in late February of this year, and at a working conference on a similar topic, organized recently by the department for propaganda and political campaigning of the CPSL Central Committee.

What else is there for us to come to grips with? What are the tasks inspired by the ideas of the Letter by the Presidium that our party and our society are facing?

Our party organizations and agencies must avoid bureaucratic approaches to compliance with the principles postulated in that letter. Some organizations and agencies include twice a year in their programs discussion about how to comply with the letter, and then they think that they have done their work in this area. Thus far, however, a challenging and uncompromising spirit has not penetrated into their style of work and literally, into their blood stream. The letter cannot be treated in a bureaucratic manner. That would trivialize and disregard the whole problem of violations of laws, ethics and discipline.

The working conference of the CPSL Central Committee underscored one interesting point. Experience has convinced us that we must look at negative phenomena from a broader perspective than that outlined in the abovementioned letter. In his address, Minister Stefan Ferencei, chairman of the SSR Committee for People's Control, stressed that a fierce battle must be waged against every form of the so-called secondary, unplanned distribution. According to a survey, for example, retail stores shortchanged consumers by more than 3 percent. Considering the actual volume of sales in our retail stores, it is possible that billions of Kcs have disappeared into salespersons' pockets. One must be aware of every form and fashion in which social justice is being corrupted. Uncompromising attitudes must be more frequently assumed not only in areas of our life that everyone can see, but also in areas that are draining public funds whose losses are easier to cover up and keep from the public eye.

In the Seventh 5-Year Plan, for instance, unproductive costs in the SSR amounted to Kcs 10 billion. Were they always unavoidable? It is a moot question, to what the Letter by the Presidium of the CPCZ Central Committee applies and to what it does not. Our public should get more involved in efforts promoting order, discipline and prudent economy. How can we be satisfied, for example, with the fact that in the Seventh 5-Year Plan losses caused by inferior quality in the sector of the Ministry of Industry of the SSR were equal to Kcs 865 million, or that losses in our agricultural production often exceed 50 percent?

The ethical aspect should be evident far more than ever before in our attitude to public property. Our people ought to regard certain values in our socialist society as sacred, and that applies twice as much to the managers of our economy.

However, many top managers subconsciously link order and discipline with efforts to scrupulously monitor work hours, while they ignore the basic issues of the concept of the workplace, good stewardship, implementation of science and technology, and more stimulating incentives. Nevertheless, bureaucratic methods and directives cannot fight negative phenomena. Their analysis must be a continuous process, and words abut the struggle against them must be translated into deeds. Public opinion must be more effectively mobilized. At the working conference, PRAVDA was praised for the publicity it had given to the letter, while the provincial and district press was criticized for devoting less space to specific criticism. In the 5 years since the publication of the letter public awareness has advanced a few steps forward, but it still needs further, more radical changes.

The working conference paid special attention to the way we are being informed about mismanagement. Our best information comes from the complaints made by our working people, but to this day very many of them are sending us anonymous letters. Views on this particular issue differ. In the USSR it was decided not to ascribe any importance to anonymous letters, but the situation in our country is different. Investigation has found a relatively large part of anonymous letters quite accurate. As Minister Stefan Ferencei, chairman of the SSR Committee for People's Control, noted, some of our citizens may write slanderous anonymous letters, but some resort to anonymity for fear of threats and reprisals for their calling attention to real wrongdoings. He mentioned that in reality, artificial obstacles are being set up to prevent facts about shortcomings from reaching higher levels of our public administration. Under such circumstances we

cannot change our approach to anonymous complaints. First, it is inevitable to create such conditions in every place that our citizens may sign their grievances without fear and with the assurance that they will not be harassed for their view in any way.

It is imperative that such conditions be planned and introduced in every area of life in our socialist society. More integrity in the processing of complaints will contribute toward that end. It is unconscionable that higher agencies pass the grievances down to lower instances, as they often do, and in the end, the complaints may turn up either in the hands of the very subject of their criticism, or in the same personal interrelation that prompted the complainer in the first place to appeal to a higher instance. We must put once and for all an end to the practices of various institutions that pass complaints around like a hot potato, but in fact, nobody does a thing to find a solution.

9004/12232

Minister of Interior Vajnar Comments on Current State of Criminality

24000090a Prague RUDE PRAVO in Czech 14 Apr 88 p 2

[Article by RUDE PRAVO correspondent: "More Effective Measures Against Criminality"; first paragraph is RUDE PRAVO introduction]

[Text] The means and methods of work which effectively assure the fulfillment of the mission of the SNB [National Security Corps] must be commensurate with contemporary conditions. This was stated by the CSSR minister of the interior, Vratislav Vajnar, at the Wednesday meeting with journalists in Prague, at which the security situation was evaluated.

Forces which are hostile to the socialist order have been attempting, particularly during recent times, to misuse the fundamental changes occurring in the life of society for their own ends. Although these forces appear verbally as disciples of restructuring, they are attempting to sow unrest and tension within society with ample ideological and material support from abroad. Among other things, they abuse even the religious feeling on the part of our citizens for this purpose. Their sole intention is to destabilize the political and economic situation, to slow down and reverse the development of socialism in our country. However, these forces are not finding any response among our workers; they are on the periphery of political and social events. Their attempts to disrupt law and order are being countered by the appropriate authorities in conjunction with the laws.

In comparison with previous years, the total number of criminal acts declined by some 10,000 last year. Up to 80 percent of the criminal acts and misdemeanors are being solved. The fact that virtually 50 percent of the overall criminal acts committed are committed by recidivists continues to be a negative phenomenon. The level of economic criminality and the magnitude of damage caused by it is stagnating. As was the case in the past, the predominant form of criminality involves the theft of socialist property, which accounts for a full 45 percent of criminal acts committed. A mere 7.3 percent of the cases were uncovered last year as a result of having been brought to the attention of the authorities by economic organizations and only 31 cases of a total of virtually 10,000 violations involving theft were solved on the basis of investigations conducted by internal control authorities.

Efforts to abuse counterfeit money are turning up more frequently than used to be the case. Apart from unsuccessful counterfeit Czechoslovak bank notes and coins, bogus foreign exchange notes, particularly $100 notes and 100-deutsche mark notes are appearing. Members of the National Security Corps also confiscated tens of thousands of counterfeit TUZEX coupons. Counterfeit bank notes which arrive in Czechoslovakia from abroad are particularly hard for lay persons to differentiate from the genuine article.

Organs of the SNB are successful in uncovering perpetrators of the most serious criminal acts, particularly of murders, burglaries, and acts of moral turpitude. However, the solving of cases involving burglary of apartments and breaking and entering of facilities managed by socialist organizations continues to be a problem. More than 10,000 socialist facilities, including pharmacies, are connected to so-called consoles of centralized protection. Last year, thanks to this technical facility, some 75 percent of perpetrators attempting to break into facilities which were thus secured were apprehended.

Despite great preventive efforts, the share of criminal activity accounted for by young people is not changing. On the contrary, the number of perpetrators up to age 15 is increasing; they are, for the most part, children of Gypsy origin. Also, the number of nonalcohol addicts is constantly growing—the records of the National Security Corps now list 6,600 of them. Last year, 45 individuals died as a result of drug overdoses.

As stressed by Minister V. Vajnar, the upcoming amendments of laws will result in new tasks for members of the SNB—amendments of the law on misdemeanors, an amendment of the criminal law, etc. Passport and visa procedures are to be simplified and some humanitarian questions will be solved with more flexibility.

The importance of collaborating with citizens, with national committees, enterprises, and social organizations continues to grow with respect to the successful work of the SNB. In conjunction with the resolution adopted by the Ninth Session of the Central Committee of the CPCZ, the management structure of the Federal

Ministry of the Interior will be substantially simplified and the released manpower will be transferred to the focal point of security activity—to the executive formations.

05911

Trade Union Daily Calls for Improvement in Production

24000089 Prague PRACE in Czech 12 Apr 88 p 1

[Article by Jaroslav Hejkal: "Trust Obliges"]

[Text] "We are aware that the main motive power of restructuring is and must be the party which serves the people. Our duty is to assess responsibly and openly to what degree the party as a whole is prepared for the restructuring and what it is necessary to do for it to manage the new tasks as well as possible." The content of these two sentences which were spoken at the Ninth Plenum of the CPCZ Central Committee last week in the opening message of the CPCZ Central Committee Presidium by its general secretary, Comrade Milos Jakes, substantially characterize the pivotal importance of this plenum, which discussed the current questions of party work for further progress in the implementation of the restructuring of our society and approved the necessary resolutions. Among other things, they stated that applying the leading role of the party cannot be allowed to replace the economic and state agencies or the national committees and social organizations, but should act on the development of their activities through the communists who work in them.

At the Ninth Plenum of the CPCZ Central Committee there was also a great deal of attention given to carrying out national economic tasks. The message of the CPCZ Central Committee stated that the results so far in the enterprises' management in the first 2 years of the Eighth 5-Year Plan are at variance from the intentions laid out at the 17th CPCZ Congress. While the quantitative indicators were satisfactorily fulfilled overall, the planned qualitative indicators were not successfully achieved either in the actual manufacturing or in the consequent production. Exceeding the planned share of material expenses in outputs showed up in nonfulfillment of the plans for adjusted value added, especially in industry and construction. The planned wage costs per Kcs 100 of output achieved were also not maintained. This cost growth last year showed up as a lower creation of profit from internal economies by 3.9 percent, that is, by Kcs 5.3 billion. Even though last year the profit increased absolutely in comparison with 1986, its increase was only 50 percent a result of relative savings in materials, raw materials, and energy consumption (instead of the expected 100 percent). There was also an unfavorable development in costs since, although the plan for last year anticipated their reduction, they rose by more than Kcs 11 billion.

These and some other deviations from the planned intentions in our economic policies inevitably were reflected in the generation of national income. While the intentions of the 17th CPCZ Congress assumed an average annual growth rate for it of 3.5 percent in the Eighth 5-Year Plan, in 1986 it amounted to only 2.8 percent and in 1987 it was down to only 2.2 percent. This means that during the first 2 years of the Eighth 5-Year Plan our economy has a substantial deficit in the planned generation of national income. On the other hand, however, the planned intentions in its utilization are being fulfilled (for example, personal consumption grew by more than 4 percent in the first 2 years of the Eighth 5-Year Plan), which threatens the proportionality and economic balance for the remaining years of the Eighth 5-Year Plan. It is thus in the interest of each of us to overcome this undesirable development if we do not wish to lower the planned intentions in the development of our standard of living. How? "As a priority, the principle that economics must have a clear social orientation and use must come to the fore everywhere. There must be judgments not only as to how much, but how much it costs, at what technical level and what quality things are produced, how the needs of both the domestic market and exports are satisfied, and how the future development of society is ensured," emphasized Comrade Milos Jakes in the message of the Presidium at the Ninth Plenum of the CPCZ Central Committee. "It is also necessary to direct the actions of social organizations, especially the Revolutionary Trade Unions Movement, the Socialist Union of Youth, and the R&D community, at this and to develop work initiatives in this area."

It is not necessary to emphasize to any greater length that these words also contain the trust of the party in the ability of the ROH (Revolutionary Trade Unions Movement), its officials, and the ordinary members of its basic organizations for action in mobilizing the workers to carry out the tasks at their places of work. They likewise confirm the correctness of the resolutions approved at the Third Plenary Meeting of the URO (Central Council of Trade Unions) on ensuring the participation of the trade unions in the restructuring of the economic mechanism and carrying out the tasks of the Eighth 5-Year Plan in which it is first of all stated: To orient the initiative of the workers and socialist competitions consistently toward the fulfillment of the tasks of the third year of the Eighth 5-Year Plan both in the desired volumes and, especially, in the qualitative indicators so that the planned increase and use of national income is achieved. In the interest of this there will be further development of the URO's initiatives and a challenge for the Prague plants.

6285/6091

GERMAN DEMOCRATIC REPUBLIC

Summaries of Major EINHEIT Articles, April 1988

23000072 East Berlin EINHEIT in German Vol 43 No 4, Apr 88 (signed to press 15 Mar 88) pp 290, 383

[Summary of article by Guenter Mittag, Dr rer. oec., member of the SED CC Politburo, deputy chairman of the Council of State; pp 291-303. Article is taken from a

speech reported in FBIS DAILY REPORT: East Europe FBIS-EEU-88-049 14 Mar 88 pp 25-28]

Through the Strength of the Combines Going Ahead on the 11th Party Congress Course

[Text] Carrying on the course of integrated economic and social policies calls for a new quality of economic growth. In presenting that, a great value is granted, in particular, to investment activity and the broad application of the key technologies. Improved socialist management activity is stressed as the largest reserve for the tasks. Confidently involving the working people in it is imperative it.

[Summary of article by Hannes Hoernig, Prof Dr phil. h.c., member of the SED CC and department manager in it; pp 304-311]

Science in a Qualitatively New Phase of Our Social Development

[Text] The further steps toward a new quality of economic growth have to come out of science application. What is involved in raising the quality and effectiveness of the contractual relations between the combines and the institutions of the Science Academy and university affairs? How are we doing with academic education and advanced education, and how are we producing the needed educational lead?

[Summary of article by Manfred Loetsch, Prof Dr rer. oec. habil., research area manager at the Institute for Marxist-Leninist Sociology in the SED CC's Social Sciences Academy; pp 312-319]

Scientific Intelligentsia—High-Tech—Economic Growth

[Text] Why does science through the scientific-technical revolution become the decisive factor for revolutionary productive forces development? Which reserves have to be tapped to convert the potential of the scientific intelligentsia into effective impulses and growth factors? How does the qualitative development of the ruling working class in unity with the new dimensions in the social responsibility of the intelligentsia proceed under these conditions?

[Summary of article by Klaus-Dieter Gattnar, deputy general director for lead research in the VEB Carl Zeiss Jena Combine; pp 320-325]

Top Achievements Need To Be Organized

[Text] To achieve top performances and develop and cope with high technologies and their requisite economic effects, one must prudently organize a combine's entire potential and expand its opportunities through cooperation. Which scientific-technical strategies led the VEB Carl Zeiss Jena combine to its performance level of today? How does one effectively motivate a constant search for top performance, and which standards apply to the efforts toward becoming a center of the key technologies?

[Summary of article by Karl Friedrich Alexander, Prof Dr rer. nat. habil., Director of the Central Institute for Electron Physics in the GDR Sciences Academy and member of that Academy; and Kurt Werner, Dr Eng, deputy director of the same Institute; pp 326-329]

Close Linkage Between Science and Production

[Text] Even if basic research, principally aimed at gaining knowledge, and product-directed industrial R&D differ in their relating to the solving of problems—the tempestuous process of the scientific-technical revolution objective demands ever closer links between them. How that is to be done is shown by way of the experiences of the Electron Physics Institute in the Sciences Academy.

[Summary of article by Prof Dr Nikolai Grigorievich Dimitriev, director of the All-Union Institute for the Breeding and Genetics of Farm Animals, Leningrad-Pushkin, and member of the All-Union Lenin Academy of Agricultural Sciences, USSR; and Karl Rothe, top veterinary councelor, Prof Dr sc. med. vet., Dr h.c., director of the Research Center for Livestock Production, Dummerstorf-Rostock and member of the GDR Agricultural Sciences Academy; pp 330-334]

Research Cooperation With the Soviet Union on Agricultural Intensification

[Text] The authors report on experiences in the content and organization of long-time successful research cooperation and explain the new scientific-technical cooperation requirements arising from comprehensive intensification. They present the results of their cooperation serving agricultural intensification in the two countries, especially in the field of application of biotechnological methods.

[Summary of article by Dieter Gawenda, Dr. oec., deputy chief of the agricultural department at the SED CC's "Karl Marx" Party College; and Wilfried Klinke, Dr. oec., top science assistant in the industrial economics department at the same college; pp 335-340]

Biotechnology in Our Economy

[Text] What factors bestow on biotechnology the rank of a key technology and what are the particulars of this "exceptional productive force?" What scientific and material-technical status does this field have in the GDR? How is one to get set for a broader introduction and application of it? These are questions that are of the greatest interest for industrial combines and industrial enterprises and most sectors of society—especially in terms of their social effects.

[Summary of article by Otto Reinhold, Prof Dr rer. oec., member of the SED CC, rector of the SED CC's Social Sciences Academy, member of the GDR Academy of Sciences, foreign member of the USSR Academy of Sciences and member of the EINHEIT editorial board; pp 341-347]

Authentic Information on CPSU Policy

[Text] The author presents three volumes of works by Mikhail Gorbachev published by the Dietz publishing house in December 1987 and January 1988 (selected speeches and essays and the book "Perestroika"), explains the interest in them, and pays tribute to the friendship, the close alliance, and the cooperation between the SED and the CPSU, the GDR and the USSR, as belonging among our country's most important accomplishments.

[Summary of article by Manfred Uschner, Dr. rer. pol., deputy department chief in the SED CC; pp 348-352]

Everything for a World Free of Nuclear Arms!

[Text] The idea of regional freedom from nuclear weapons as a way of nuclear disarmament on behalf of humanity's survival is gaining attraction everywhere in the world. Promoting the dialogue and collaboration of all the different peace forces that are advocating nuclear weapons-free zones and corridors, exchanging their experiences and suggesting new steps toward a nuclear weapons-free world—that is the concern of the international conference on nuclear weapons-free zones summoned for 20 to 22 June 1988 in Berlin.

[Summary of article by Horst Grunert, Prof Dr rer. pol., department head of the International Relations Institute in the GDR Academy for Political Science and Jurisprudence; pp 353-356]

Toward Reason and Realism

[Text] Five years ago, the international science conference, "Karl Marx and Our Time—the Struggle for Peace and Social Progress," was held in Berlin. What impulses did it lend to the spread of a worldwide peace movement of unprecedented breadth and strength and a coalition of reason and realism that increasingly exercises beneficial influence on world politics? Probing that question, the contribution spans the bow up to the Moscow meeting of parties and movements and the first real disarmament steps agreed on at the USSR-U.S. summit, through which, after years of increasing confrontation, a turn for the better begins to suggest itself.

[Summary of article by Erich Buchholz, Prof Dr sc. jur., head of the Criminal Law section of the Law School of Humboldt University, Berlin; pp 357-362]

Social Justice—Achievement and Task

[Text] To be able to live in a socially just society—thanks to socialism, this age-old ideal of humanity became a reality also in our republic. What justifies our saying that socialism embodies the most righteous social order in history thus far? From which concrete facts can that be garnered? Wherein lies the justice of the performance principle and its profound moral and social substance?

[Summary of article by Albert Stief, Dr. rer. oec., member of the SED CC, minister and chairman of the Committee of the Workers' and Peasants' Inspectorate (ABI); pp 363-366]

The ABI—Important Field of Socialist Democracy

[Text] What are strict accountancy and public control—basic principles of socialism—aimed at in our country? How much elbow room for democratic participation has the ABI unlocked in the 25 years of its efforts for all citizens irrespective of social origin, world-outlook, and religion? What can controls do and what benefit comes from the close collaboration with state managers, the people's representations, standing commissions, deputies, National Front commissions, and other state and social control organs?

05885/7310

POLAND

Soviet Friendship Society Lecture at Military Political Academy

26000212c Warsaw ZOLNIERZ WOLNOSCI in Polish 24 Feb 88 p 3

[Article by (a): "Lecturers at Military Political Academy"]

[Text] "The demand considerably exceeds supply," said Lt Col Julian Bulawa, chairman of the Polish-Soviet Friendship Society [TPPR] of the Economics Department at the Military Political Academy and member of the Presidium of Lecturers of the TPPR's Executive Board.

The enormous growth of interest in the changes in the Soviet Union and especially in economic reform means that economists have a full load of lecture work. In response to that demand, TPPR members try to fill the gap by using sophisticated forms of presenting the most recent events and processes taking place before our very eyes.

It is expected that properly-trained students of the Economics Department will soon take up lecture activity (which has up to now been carried out by the teaching staff). They will take part in training the society's aktiv and in meetings with youth at schools and places of work. It must be added that this vital action which is appreciated by youth has been conducted by TPPR members outside of their normal professional responsibilities.

12261

Bloc Working Group on Propaganda Role

26000212a Warsaw TRYBUNA LUDU in Polish 12 Feb 88 p 2

[Unattributed article: "Propaganda and Ideological Struggle"]

[Text] On 11 February, the working group of the commission on bloc cooperation of the Academy of Sciences of the Socialist States, a body that studies the problems of ideological struggle in the modern world, ended its latest session in Jablonna near Warsaw.

Present at this meeting were experts, representatives of sciences and party authorities from nations represented on the commission: Bulgaria, Czechoslovakia, GDR, Poland and Hungary. As the result of discussion, a joint plan was developed for research on the problems of ideological struggle and propaganda in a changing world.

12261

Soviet-Polish Student Exchange, Meetings Thrive

26000266a Warsaw TRYBUNA LUDU in Polish 9 Mar 88 p 7

[Article by Michal Przeczek: "Meeting of Polish and USSR Students—The Shortest Roads to Knowledge"]

[Text] In many Polish communities, there is growing interest in the processes of the reconstruction taking place in the Soviet Union. This interest has a special emphasis on Polish-Soviet relations both in their historical aspect as well as in the context of their future development. Students groups have shown visible activity to promote these relations.

Recently, many university students have worked with their Soviet counterparts top organize seminars dedicated to the [illegible due to typographical error] Polish and Soviet, a dense network of [typographical error] and relations between our fraternal nations. Sometimes, the subject of such seminars is determined by the type of studies offered at the given university but it is also sometimes much broader and more universal.

At the beginning of this year, Warsaw University held the First National Polish Student Seminar, "Poland-USSR: Toward New Horizons". The idea of organizing originated with members of the university's Polish-Soviet Friendship Society [TPPR] during discussion of Wojciech Jaruzelski's NOWE DROGI article on Polish-USSR relations. The connection between the two events is obvious when one recalls that Wojciech Jaruzelski's article was titled "Toward New Horizons".

Students and young academics from all of Poland's universities and higher schools spent several days participating in the seminar and they were joined by a student group from the University imeni Lomonosov in Moscow. They heard many lectures presented by outstanding Polish political figures and historians and met with representatives from the USSR Embassy in Warsaw. They discussed the history of the Soviet Union, the achievement and modern sense of relations between our countries and the changes taking place in the USSR.

It was stressed that the significance of these changes extends far beyond the borders of the USSR. Many problems caused by these processes are of vital interest to Polish society. These problems range from matters as fundamental as the need to strengthen the socialist order through reform, the growth of political culture, promoting respect for work, and creating the right conditions for its more efficient use on a macrosocial scale to the problem of making better use of youth organizations and the hierarchy of values of the young generation.

The fact that many issues and themes were of common interest to both sides gave a good foundation for discussion. There was not agreement on all points of view because in Poland and the Soviet Union, similar problems are solved under different national conditions. It was emphasized that it is understandable how many different roads can be taken as long as basic principles are followed.

During the meetings, many different issues and themes were discussed. Some participants seemed disappointed that the discussion served more to systematize current knowledge than to find new truths or facts. However, the seminar's organizers did not intend to discuss all possible problems. They rather wanted to awaken curiosity and encourage students to express their doubts and question themselves and others. It seems that this goal was reached.

The Warsaw conference's participants agreed that such initiatives are useful and should be continued. The need was stressed for the broadest possible participation in discussion among Polish and Soviet university students and specialists. There were also proposed several subjects that can be discussed in the future and these included the role of culture in the process of changes, changes in the political culture of both societies, the attitude of Soviet youth toward events in Poland in the 1980's, the concept of Poland's borders and role in Europe from the perspective of Soviet policy during World War II and of the Polish political groups of that time.

Conversations about these and other issues and an exchange of ideas and experiences are valuable forms of work for the TPPR, an organization which has set itself the goal of broadening knowledge about the Soviet Union and Polish-Soviet relations. Today, when we are giving new meaning to friendship and mutual benefit from experience, direct personal conversation seems to be the best and shortest road to an understanding of one another and stronger and closer ties between our nations. Polish-Soviet friendship is also fostered by a dense network of personal friendships among members of academic organizations, higher schools and individual students, boys and girls.

12261

Dutch Foreign Trade Minister on Reform, Prospects for Cooperation

26000290 Warsaw POLITYKA in Polish No 15, 9 Apr 88 p 12

[Interview with Ivonne Van Rooy, Dutch Minister for Foreign Trade, by Jerzy Kleer and Jacek Poprzeczko: "Good Advice Has Its Price"]

[Text]

[Question] The Netherlands has no ministry of foreign trade; instead, there is a minister for foreign trade in the Ministry of the Economy. How does your office operate in a situation when the role of the state in the economy is basically limited? To what degree can it influence trade with Poland?

[Answer] The Netherlands is profoundly attached to the principles of free trade. Our policy strives to eliminate all kinds of barriers obstructing its development. This involves both exports and imports. We are convinced that trade should be a two-way street. If you want to sell, you also have to buy.

These are the general principles we adhere to. As far as specific export promotion techniques are concerned, we try primarily to furnish to already operating and potential exporters the broadest and most detailed information on foreign markets, on opportunities to sell specific products. For example, we consult producers of bicycles about the markets of interest to them. We prepare exact information for them, and they pay us for it. Our information is very professional, and good advice has its price.

We also provide partial financing for the participation by our producers in international, primarily industry-wide, fairs. We can provide such a subsidy to a given company three times, after which we say—now you must know how to cope yourself. We also set up trade missions abroad for our enterprises, and sometimes invite to our country traders from the countries where we want to sell our goods.

Our budget is very modest. Our influence on exports consists primarily of information and consulting services rather than on promoting exports by financial means.

[Question] Nonetheless, subsidies play an important role in agricultural exports.

[Answer] This is a peculiar area where the rules of joint EEC agricultural policy apply. Farmers in the EEC countries receive fixed prices for some of their products. If they export to markets where prices are lower, they receive price support, but from a special fund of the community rather than individual governments. Our Ministry of Agriculture also promotes Dutch agricultural exports only by providing information and setting up contacts, which is the job of agricultural attaches at our embassies throughout the world. We believe that having good contacts and good information is much more important than subsidies.

[Question] As far as we know, in the Netherlands subsidies to producers are not used in agriculture alone. Subsidies may also assume indirect forms, such as, say, low-interest loans.

[Answer] On the international scene, we advocate restricting all forms of subsidization, because we believe that they infringe on the principles of healthy competition. We are fighting for this in the GATT and OECD. However, if a Dutch exporter is able to prove that his competitors from other countries receive government subsidies, we may use compensatory payments so that he will not end up in a worse position than others. However, we are never the first ones to do it. We only respond to what others do, and then not always.

[Question] How important for export promotion are government loans granted to importers on preferential conditions?

[Answer] Not very. We give such loans only to the poorest Third World countries with which we have a special relationship. These funds may only be used for specific investment projects, which are known to promote future economic growth in a given country.

[Question] Government-guaranteed loans may also serve to develop exports.

[Answer] We give such guarantees only when it does not entail excessive financial risk. When the economic situation in a country suggests that the loan will not be repaid, we must regretfully state that we are not in a position to give a guarantee. At present, this is the case with Poland.

[Question] You have mentioned the principle of "two-way" movement in trade. How do government agencies influence import in the Netherlands?

[Answer] I have already mentioned commercial missions. Besides, we organize the "days" of individual countries, events providing information on their industry and trade. In May, the "Polish Days" will be held in our country.

[Question] This facilitates imports. However, various restrictions are used at the same time.

[Answer] Despite this, the EEC is one of the most open markets in the world, and the Netherlands—one of the most easily accessible in the community. To be sure, there could be greater openness, but this may also be said about many other parts of the world, including Eastern Europe. We should strive to liberalize the trade further, but both sides must contribute. We are prepared to make concessions if the other side shows it is also so inclined. I believe that only this way is proper at the present time.

[Question] This interview is given on the occasion of your visit in Poland. Did the Dutch side present during this visit any new ideas on the economic cooperation of our countries?

[Answer] I think we should not rush excessively to generate new ideas. It is more important to take advantage of the opportunities which already exist. Many Dutch entrepreneurs came here with me. I believe that in conversations with them you had an occasion to appreciate how great the interest is in trade with Poland and cooperation with Polish companies. Certainly, we know how difficult the financial situation of Poland is. As far as new loans are concerned, we can give them thought when Poland begins to settle its past obligations. I believe that at this time more can be accomplished by taking smaller steps. The results of last year show that the opportunities are considerable. Polish exports to the Netherlands increased by about $30 million, to over $220 million.

[Question] However, it is difficult to develop exports and pay old debts without new loans.

[Answer] Try to look at it from our point of view. For many years, Poland has been in debt to the Netherlands. At present, the debt amounts to $550 million, i.e. almost as much as our annual turnover [in foreign trade]. Under such circumstances, is it easy to provide new loans? Especially if we recall that in the 1970s Poland, already in debt, requested further credits stating that they would be repaid by exports. This has not worked. Therefore, now we can give loans only if we have a guarantee that they will be paid back.

[Question] What should these guarantees include?

[Answer] Among other things, beginning the payment of interest on government loans. To date, Poland has only been settling its obligations to private creditors.

[Question] This issue had political overtones. Difficulties in this area are generally known, and negotiations are painstaking. What can be done in order to improve our trade and financial relations rapidly?

[Answer] I believe it is very important to implement quickly the second stage of your program of economic restructuring. The share of non-productive expenditures in Poland is too high compared to that of productive expenditures. A change in this proportion will be painful for the populace, but this is the way to restore health to the economy in the future. The fact that the program of restructuring the Polish economy is endorsed by the International Monetary Fund is very significant for us. It increases our confidence. In its turn, confidence is a necessary prerequisite for serious talks about eventual new conditions for Polish debt repayment. I believe that in this matter our interests are similar. The worst solution for Poland would be to receive new loans which it could not pay back, becoming in this manner a country even deeper in debt.

[Question] Some of the Dutch businessmen we have talked to are not at all thrilled by the second stage of the economic reform. They preferred the old system when they dealt with one large foreign trade organization.

[Answer] To be sure, it is easier to do business when you deal with one institution. Now our businessmen will have to come to your country more often, travel across your country and establish contacts with various companies. However, in the long run the Polish economy will win if competition plays a greater role. I think it will also benefit our mutual trade.

[Question] From your point of view, which areas of cooperation between Poland and the Netherlands appear the most promising?

[Answer] It is difficult to answer this question. The areas in which cooperation could develop well are many. Agriculture, and especially processing and storage of agricultural products, is the most important area. Besides, the chemical industry (especially pharmaceuticals), the textile industry, in which cooperation is already well developed, and environmental protection technology should be mentioned.

[Question] The first Polish-Dutch company with mixed capital set up in our country, the Interkotlin, operates in the agricultural sector. In general, how do you evaluate the prospects for setting up such companies?

[Answer] Two issues are very significant in this matter. Firstly, amendments to the law on joint ventures, currently under discussion in Poland, should be introduced as fast as possible, so that our community of businessmen would know what conditions they are going to operate in. Secondly, the agreement being negotiated currently on the protection of capital investment, and

especially its provision on the transfer of hard currency, will play an important role. It is also important to enhance opportunities for direct cooperation between enterprises.

[Question] What is your general view of opportunities for developing Polish-Dutch cooperation in the context of developing East-West relations?

[Answer] The fact that I am here and that over the last 7 months you have played host to two other Dutch ministers in itself signifies our will to improve both political and economic relations with Poland. The presence of numerous Dutch businessmen proves that our private sector as well takes interest in what is going on in Poland and sees opportunities for cooperation. It is our businessmen who will have to do specific work. Our government may only create and improve conditions for this. Judging by what I have heard from them, they are very much interested in cooperation with Poland, among other things, in setting up joint ventures, including large-scale ones. As far as the immediate future is concerned, we have to be realistic; this is going to be quite a difficult period, when Poland will have to overcome significant economic and financial difficulties. However, general prospects for the development of cooperation appear to be rather favorable, and not only in our bilateral contacts, but overall in relations between EEC and CEMA countries.

[Interviewers] Thank you for the interview.

9761

Press, Personnel Changes, Media Developments, December 1987

26000206a Warsaw PRASA POLSKA in Polish No 2, Feb 88 pp 56-58

[Excerpts]

1 December

Anatol Wakaluk was appointed chief editor of GAZETA WSPOLCZESNA.

Zdzislaw Slowik was appointed chief editor of the monthly journal CZLOWIEK I SWIATOPOGLAD.

3 December

At the initiative of the regional chapter of the "Friendship" Public Writer's Club, two Soviet films never before seen in Poland, "Is It Worth Being Young?" and Memories About Vladimir Vysotsky," were presented at the Journalist's Club in Bydgoszcz. These films were provided by the Gdansk Palace of Soviet Science and Culture.

10 December

At the Warsaw Journalist's Palace, the SD Public Writer's Club and the Polish International Affairs Writer's Club organized a meeting with Justice Vice-Minister Jan Brol. During this meeting, J. Brol shared his thoughts about the session of the Human Rights Committee that examined the Polish government's Second Report on realization of the International Pact on Civil and Political Rights. Dr Jan Brol was chairman of the Polish delegation at this session. The club's discussion centered on the portion of the PZPR Central Committee Politburo report concerning the growth of civil rights in Poland.

11-12 December

In Torun, the SD Club for Construction Problems, the Press Department of the Central Housing Construction Cooperative Union and the Voivodship Association of Torun Housing Cooperatives organized a session on the subject of the development of cooperative housing in Torun Voivodship. The participants visited the "Rubinkowo" cooperative housing settlement where they learned about the system used to meter water and power consumption. They also met with Vice-Mayor of Torun Jozef Surman who spoke about the restoration of the city's historical buildings. The second day of the session was occupied with reports and discussion of how to adapt cooperative housing structures to the demands of economic reform, prospects for the growth of facilities for reception of satellite television and for broadcasting local television programs and the use of computers in housing cooperatives.

13 December

Waclaw Urbanski was dismissed as TRYBUNA LUDU's Belgrade correspondent.

14-16 December

An SD Journalist's Association delegation under Association Chairman Artur Howzan visited Moscow at the invitation of the USSR Association of Journalists. A protocole for cooperation in 1988 between the SD and the USSR Association of Journalists was signed. The agreement calls for the organization of symposiums, seminars, meetings and creative competitions as well as an exchange of study groups.

Cooperation between journalist's organizations of the Ukraine, Belorussia and Lithuania and SD chapters in Poland's eastern voivodships will be expanded.

15 December

Jerzy Micinski retired from his post as chief editor of MORZE.

Roman Wojciechowski was appointed deputy chief editor of SZTANDAR MLODYCH.

Daniel Wojtowicz was appointed deputy chief editor of PRZEGLAD TYGODNIOWY.

The 6th PZPR Central Committee Plenum dismissed Jozef Barecki as director of the Central Committee Propaganda Department in connection with his assumption of duties as chief editor of NOWE DROGI. The Central Committee appointed Slawomir Tabkowski, former chief editor of GAZETA KRAKOWSKA, to this post.

16 December

Janusz Wolniewicz was appointed chief editor of MORZE and resigned from his position as deputy chief editor of the same newspaper.

17 December

At the Warsaw Journalist's Palace of the SD Politicosocial Writer's Club organized a meeting with the chief of the Chancellory of the Council of State, Jerzy Breitkopf, and the director of the Chancellory's People's Councils Bureau, Milosz Wilkanowicz. The club guests spoke about the coming people's council elections and new proposals for election changes and changes in the law on people's councils, regional self-government and regional organs of state government.

19 December

The delegation of the SD "Friendship" Public Writer's Club returned from its visit to Moscow. During its week-long stay in Leningrad and Vilno at the invitation of the Soviet-Polish Friendship Society, delegation members met with local journalists, writers and party and state figures and also had an interesting meeting with the editors of CZERWONY SZTANDAR in Vilno. The delegation visited several industrial establishments, farms, cultural establishments and historical places.

23 December

Marshall of Sejm and Chairman of the Polish-Soviet Friendship Society's National Board Roman Malinowski received a delegation from the Executive Board of the SD "Friendship" Public Writer's Club which familiarized him with the club's achievements and plans in promoting Polish-Soviet friendship. Among other things, Roman Malinowski pointed out the growing role of journalists in the historical trend toward growing friendship between these two nations.

During the meeting, R. Malinowski decorated 8 journalists (active members of the "Friendship" Public Writer's Club) with the society's Gold Medal for service in strengthening Polish-Soviet friendship. These persons were Zbigniew Bozek, Witold Dobski, Wieslaw Iwanicki, Tamara Kruczkowska, Witold Rutkiewicz, Remigiusz Szczesnowicz, Roman Wysocki and Andrzej Ziemski.

12261

POLITYKA Weekly News Roundup

26000274a Warsaw POLITYKA in Polish No 14, 2 Apr 88 p 2

[Excerpts]

National News

Beginning 1 April 1988 as previously announced, the retail prices of electricity and gas will increase 100 percent.

The 10th ZSL Congress has elected new party officers. Roman Malinowski (Sejm Marshall), as we reported in the previous issue, was again elected president. The deputy presidents are Czeslaw Jaworski (farmer), Jozef Koziol (deputy premier), Jozef Kukulka (deputy chairman of the PRON National Council), Dominik Ludwiczak (farmer), Tadeusz Szelachowski (deputy chairman of the Council of State). The members of the Presidium, secretaries of the Chief Committee are Kazimierz Fortuna, Bogdan Krolewski, Kazimierz Olesiak, and Roman Szarek.

The Military Council of the Ministry of National Defense met under the chairmanship of Wojciech Jaruzelski. Discussion concerned promotion of the Jaruzelski Plan, services by the military for the national economy, revision of the law on universal obligation to defend the Polish People's Republic, the program to celebrate the 45th anniversary of the formation of the Polish People's Army. The Council emphasized the importance of the constitutional statement that "defense of the fatherland is the most sacred obligation of every citizen." Proposals to modify the regulations on alternative forms of military service received a positive evaluation. Proposals to update the text of the military oath, officer's oath, the cadet's oath for students of military academies, and the oath for pupils at military secondary schools.

An international conference of rural parties and organizations initiated and organized by the ZSL, in which delegations of 26 rural organizations present at the 10th ZSL Congress other than the ZSL participated, took up ecology. Proposals were made that the United Nations develop a declaration of the nations on environmental protection which should contain standards of behavior by one country with respect to others. The creation of an international bank of technology for environmental protection was also proposed.

A program of cooperation for the next five years and over the next 15 to 20 years was discussed at the meeting of the cochairmen of the Soviet-Polish Inter-governmental Commission (for the Polish side, Zbigniew Szalajda; for the Soviet side, Aleksey Antonov). Among the decisions on particulars was one to cooperate in the production of a modern delivery truck.

The Politburo of the PZPR Central Committee took up, among other things, actions announced by Wojciech Jaruzelski in his speech to the 10th ZSL Congress. Concerning the extraordinary plenipotentiary powers for the government in the person of Deputy Premier Sadowski: "They would be directed exclusively in the direction of enterprises not observing the rules of the reform and would apply primarily to personnel decisions. They would not in the least restrict those enterprises which are improving they economic efficiency and are the avant-garde of the reform. As regards the review of management personnel: the position of the director must be strengthened, which will not reduce the role and significance of the self-management. The review should bring to light and popularize the avant-garde of the reform, but it must also expose the procrastinators attempting to wait out the reform and the dissimulators attempting to deceive. The Politburo also took up simplification of the system of inspection; it turns out that work safety and health are still subject to inspection by 18 bodies, that product quality and building services, by 16, management of raw materials and materials, by 15 inspectorates.

The Torun experiment, or the use in one of the residential buildings of meters for the consumption of cold and hot water, heat, and gas. The results, as one might expect, were favorable. During the fall and winter, the residents conserved 20 percent on heat, 60 percent on hot water, and 57 percent on cold water.

Five Polish enterprises received International European Prizes for outstanding merit in the development of international trade awarded in Paris. The recipients were the partnership Animex (trade in food articles), Chemobudowa-Krakow (civil engineering), Warsaw Dromex (road construction, bridges, airports), Emag from Katowice (mining equipment), and Metalchem of Gliwice.

The National Council for Culture has commented on the University Library in Warsaw. The Council Presidium judged that the construction of the new building for the library should be treated as a monument to the 200th anniversary of the adoption of the 3 May constitution.

Beginning 25 March 1988 it will be possible to take more in or out of the country without paying customs duties. It will be possible to take out without duties objects of a total value of 20,000 zloty (previously 2,000) and bring in objects of a total value of 60,000 zloty (previously 10,000).

The results of the action to transfer apartments taken by institutions for offices to residents have been poor. The reverse process has been observed; in the institutions inspected during 1986-87 another 644 apartments were converted into offices (EXPRESS WIECZORNY).

Tadeusz Konwicki's new book, "Bohin," has received the Warsaw Literary Premier Prize. Jerzy Turowicz, editor-in-chief of TYGODNIK POWSZECHNY, received the Jan Parandowski Award (donated by the writer's widow, Irena), which was given for the first time. The international jury of the Poster Salon Paris 87 gave five honorable mentions to Polish artists: Stasys Eidrigewicz, Lech Majewski, Wieslaw Walkuski, Marian Nowinski, and Mieczyslaw Gorowski. Stasys, who is well-known to our readers, also received one of the awards from the public for the poster for "Borys Godunov" (selected posters from the Salon can be seen on exhibit at Wilanow). Our congratulations to the winners.

Japanese color television sets made by Sanyo priced at 1.7 million zloty each appeared in Krakow in the stores of the Scouting Warehouse. PRZEKROJ reports that all of them were purchased by state institutions, including the Lenin Steelworks, "an enterprise subsidized by the state budget." And more about television sets, but in PERSPEKTYWY: the civic list for purchasing color televisions sets in the Centrum Shopping Center in Warsaw consists reportedly of 7,000 names; the store receives 150 sets monthly, so the last on the list will purchase a television in 3 years and 9 months.

The market prices for a Fiat Bis, according to PERSPEKTYWY: in Warsaw there were 12 available; the prices varied greatly from 2.7 million to 3.1 million zloty. The transaction prices were lower, 2.6 to 2.8 million zloty. A Bis costs $1,880 in a Pewex, which means the black-market rate is 2.6 million zloty.

SLOWO POWSZECHNE judges the offer by the Czechoslovakian airlines to be the sensation of this tourist season: a flight to Vienna for 7,300 zloty + $8 (departure every Tuesday at 13:50 from Warsaw, arrival at 15:00 in Bratislava, where a bus waits and arrival in Vienna at 18:10). A LOT Polish Airlines ticket Warsaw to Vienna costs 30,000 zloty.

On the Left

"We are opening a new stage in agrarian relations in the USSR," said M. Gorbachev at the Fourth Congress of Collective Farmers. The new law equalizes the rights of the cooperative sector and of the state sector (among other things, it permits conducting independent economic activities on foreign markets).

"Emotions and Understanding" is the title of an article published by PRAVDA on the events in Nagornoy Karabachii. Notabene, one of the authors, the Armenian Arakelian, stated that his statements were distorted by the editors. The publication indicates that the genesis of the events reaches far into the past. While the demonstrations themselves were prepared by an underground organization called "Karabachia."

J. Kadar on the internal situation in the Hungarian People's Republic: "Three questions fall in the center of our daily tasks: favorable implementation of the plan to develop the national economy this year; questions associated with the discussion of the leading role of the party,

with the analysis and modernization of the system of political institutions; and preparations for the national party conference. In Hungary there is no crisis in any meaning of this word. The situation in the country is better than the mood indicates. And it is better than the mass media present."

The GDR State Bank has lifted the convertible currency limit for tourism with Czechoslovakia, which was introduced in January 1988. (This occurred after the visit to Berlin by Milosz Jakesz, secretary general of the CPCZ Central Committee.) The reason for introducing the limitation was the serious imbalance in tourism between the two countries. While in 1987 6.7 million citizens of the GDR visited Czechoslovakia, only 2.3 million Czechs and Slovaks visited the GDR.

Vasil Bilak has published his memoirs for the period when the first secretary was changed (when Dubcek was replaced by Novotny) in January 1968. He adds: "If we raised him to this position it was necessary to support him, to surround Dubcek, help him, to keep him from falling."

The public opinion research center in the USSR (directed by Prof T. Zaslavska) will conduct its first survey in the near future. Its subject will be problems of selecting economic management personnel in the system of production self-management.

"Children should learn how to use their overwhelming energy during play not with plastic rifles or miniature rockets but in some other manner," writes the Berlin newspaper DIE KIRCHE. The paper appealed to the toy industry to produce toys that would contribute to raising children and young people with peaceful attitudes.

End of the myth of Morozov: The Soviet monthly for young people, JUNOST, has condemned the stalinist cult of Pavlik Morozov. Vladimir Amlinski writes that Morozov, who denounced his parents during the 1930's "is not a symbol of determination and class consciousness but a symbol of legalized betrayal transformed into a legend." Under Stalin, Amlinski continues "people were not only destroyed in labor camps and in prisons. There was also another form of destruction, deep psychological, moral deformation, whose ghosts are alive still today."

Opinions

Colonel Stanislaw, Wrona acting director of the Central Board of Prisons:

"I would not be a representative for prisons if I maintained that we are delighted by the increase in imprisonments and temporary arrests. The staff is well aware of the consequences of overcrowding. I think that 70,000 to 80,000 prisoners is the upper limit. As a result of overcrowding (in recent years the number of prisoners has exceeded 100,000—editor's note), we have been unable to cease using many facilities requiring immediate modernization. We still have a few prisons without central plumbing or heat. At present we have said there should be 9-10 m3 of living space per prisoner. This index says little about the conditions in which the prisoner lives. In prisons with high ceilings in a period of rapid population increase, we had to put in three levels of beds. We met the standard, but the cells were so crowded that it was difficult to move without bumping into someone."

(In a discussion in GAZETA PRAWNICZA 1 March 1988)

Andrzej Wasilewski, secretary of the PZPR Central Committee:

[Answer]...There is no lack of vicious opinions; there is no lack of hysteria desiring to hide its own inability (the most incompetent scream the loudest), there is no lack, obviously, of understandable concern for the future. Culture undoubtedly finds itself in a difficult position, and its development demands innovative methods. We must strive to remove the corset that is choking it, both the one put on by obdurate opposition and the one put on by bureaucratic dogmatism, through fresh thought. The reform is not a threat to culture. It opens a way out of stagnation, if thoughtful, innovative, competent people take it up.

(Interviewed by Andrzej Nierychlo in PRZEGLAD TYGODNIOWY 20 March 1988)

Prof Dr Andrzej Tymowski, civic politician:

[Answer] I am of the opinion that there is no "capitalist pluralism" and no "socialist pluralism." I know only one definition of pluralism. And the same is the case with respect to economics. There are not two different mathematics, thus there cannot be two different economics. In each economy, the adjective we apply is unimportant; the only condition of survival or growth is simply rational management. And we should completely discard all inept doctrines.

(Interviewed by Piotr Gabryel, REPORTER No 2, 1988)

Mieczyslaw Szulc, voivod of Piotrkowski Voivodship:

"I think that the voivodship people's council should select the voivod. The fact that the voivod is the executive and management arm of the council speaks for this approach. For the voivodship people's council it is essential that the person selected by it, the voivod, is to execute and implement all the resolutions and decisions of the council.... The current regulations state that the president of the Council of Ministers names the voivod with the consent of the voivodship people's council. In spite of the fact that this consent is established through secret ballot, it is only consent.... I also think that the influence of the president of the Council of Ministers on

the naming and changing of voivods should be retained..., for the voivod is also the representative of the government in his local area.... In the case of removal of the voivod by the president of the Council of Ministers on his own initiative, the presidium of the voivodship people's council should be empowered to express its binding opinion."

(RADA NARODOWA 5 March 1988)

Gen Division Dr Tadeusz Szacilo, head of the Main Political Directorate of the Polish Army:

"As concerns negative attitudes toward the military, there are no longer any defections for religious reasons. On the other hand, as concerns the pacifists who were mentioned, we are studying this problem. Our work is proceeding in several directions. Among other things we want to penetrate their motivations, their essence, and program, to judge them appropriately. We will also conduct further legal and constitutional work and broaden the principles for alternative service, extending it to those who for, let us say, ideological or political reasons refuse service. This work is in the planning stage, I would at the level of headquarter's thinking.

Opinions have been expressed here that the ideal solution in Poland would be a professional army. To be sure, such an army is an ideal solution, but a very expensive one. In our situation, it is an impossible solution."

(From the summary of the discussion at the meeting of the Ministry of National Defense Council for Social Sciences, from ZOLNIERZ WOLNOSCI 17 March 1988)

13021

Fate of Bureaucrats Affected by Administrative Reforms Explained

26000212b Warsaw ZYCIE WARSZAWY in Polish 12 Feb 88 p 3

[Interview with Pawel Chocholak, director of the Personnel Bureau, Council of Ministers, by Halina Lesnicka: "Who Stays, Who Goes"]

[Text]

[Question] Since January of this year, the central government is already functioning in a new form and new organizational structure. The number of ministries and their employees has been reduced. The tasks of the ministries and their role in relation to economic establishments and citizens has changed. What sort of work is being done in connection with reorganization of the central government?

[Answer] The reform of central government was preceded by personnel reviews in all ministries and that work was supervised by members of a specially-created Party and State Commission. The reviewing commission proposed a 25-percentile group of the best central government employees to work in the new organizational structures. These people were chosen not only for their qualifications but also for their mentality, ability to take up new tasks and act efficiently under new conditions.

It was assumed on principle that the basic group of employees of the new ministries should be employed on the basis of work contracts while the only employees appointed to their positions would be those with unquestioned fitness for work under the new system. This year will be a test for the employees who have taken work in the new ministries. We also expect to see them take tests at the Center for Postgraduate Training of Central Government Employees.

By the end of last year, the new ministries completed their new personnel rosters and filled all department director's posts. In the second half of this year, there will be a decision on whether more new personnel is hired and employees who have not demonstrated their fitness for their jobs will be laid off. Efficiency will be the main consideration in these decisions.

The new ministries will employ only about 3000 persons and therefore half the former number. The number of vice-ministers and directors will also be much lower.

[Question] And what about those who have to go? Will they be able to change professions?

[Answer] They already have offers of new work and can make their own choice among other central institutions and cooperatives, economic establishments, education and regional government. Their only problem may be their type of qualifications. For example, voivodes have many jobs for architects, lawyers and financial experts but all of these positions are outside of Warsaw. For family reasons, not everyone will be able to accept these jobs. However, we do not have to be especially worried about these people because they are very highly trained individuals. Furthermore, 60 percent have a higher education and are young people.

The personnel review showed that about 20 percent of central government employees are under 35 years of age, 30 percent are 36-45, another 30 percent are in the 46-55 year age group while only 20 percent are older than 55 years. This is a younger group than the one found in industry and therefore the public opinion that these people have been part of the central government for more than 30 years is not at all true.

Of course, there are individual problems with overqualification and inability to adapt to new conditions. Out of the 6000 persons working in the abolished ministries, a group of 680 have not decided where they will work next and this includes 150 engineers, 130 economists, 30 lawyers and 260 persons with a secondary education.

[Question] Will it also be possible for them to find employment in the private economy and for new enterprises to be formed like they did when the associations were liquidated in 1981?

[Answer] We do not want to repeat these experiences and there are no willing candidates. So far, only 20 persons have expressed a willingness to do this. Central government employees are generally not that affluent and lack the capital they would need to start their own enterprises. However, if candidates are found, the bank will be able to give them credit and local government should help them find space to start new enterprises. The decided majority of those leaving the central government have found work in other branches of the socialized economy and these are often responsible jobs with better pay. People from industry should likewise find work in the new ministries.

So far, this "shot in the arm" from industry to government has had only slight effects and they have been felt chiefly in managerial positions.

[Question] Does this mean that the central government will continue to pay lower wages than other sectors of the economy?

[Answer] That is an enormous problem but we have to make a decision. Either we will have to have really good and properly-paid personnel in government or we must continue to complain that our bureaucrats are the way they are. We have the create the sort of pay mechanisms that to make it worthwhile for people to move from industry to government because only then can we get really good and modern-minded people. The main goal of central reform is not to reduce the number of employees which is just a result of the changes but to reconstruct the government's functions and methods and to adapt it to the new system of state and economic management. We must consider not only professional but also moral qualifications, ability to innovate and make independent decisions and the ability to place the general public interest ahead of group interests.

[Question] And what will happen with the problems of individual citizens that were taken up by the "old" ministries and have not yet been resolved?

[Answer] Up to the end of 1987, every ministry had a group of individuals who were working to liquidate these problems. In its new form, the central government should no longer be involved in resolving such a large number of individual matters.

The central government was created to govern through systems. If we continue to demand that it intervene in numerous individual problems, nothing will come of reform.

There must be a change in the expectations placed on central government not only by individuals but also by economic and social organizations and representative and union organs. All of us must learn that lesson, all the more so as we will not stop with reform of the center but will also reconstruct other institutions and the entire system of government.

12261

Political, Economic Needs Interfere With Nomenklatura Practices

26000242 Warsaw TRYBUNA LUDU in Polish 3 Feb 88 p 3

[Article by Witold Grabos: "The Shadow of Nomenklatura—Examples Show That the Problem of the Right People in the Right Job Now Goes Beyond Just the 'Top'"]

[Text] "There is no need to change even a single line of the 'Main premises for PZPR personnel policy'. We only need to adapt to them," wrote Anna Pawlowska to TRYBUNA LUDU on 20 November in an article, "Can Personnel Policy Keep Up With the Times?". However, it is not a problem of what should be done because correct principles that have apparently been accepted with full approval have not been, as has often been the case, dominated by the everyday practice of political and social life that is guided by its own principles.

Even if they are established by the highest levels of the party (as in the case of the new personnel policy set by the 9th Congress and 13th Central Committee Plenum), principles themselves are not strong enough and more often, it is only the formal procedures that are modified while the mentality and habits are left untouched. I really think that the legacy of nomenklatura still lies dormant in our not-entirely new forms of personnel promotion and has continued in spite of all good will and even the efforts of persons responsible for the party's personnel policy.

The facts make one doubtful in the effects of these principles. For example, let us consider information from just the voivodship of Chelm. In March 1985, a 169-person reserve cadre was approved by the Secretariat of the Voivodship Committee [KW PZPR].

In April 1987, it turned out to be the case that only 37 persons out of this total reserve were promoted. At the same time, almost the same number of people outside of the reserve cadre were promoted. Furthermore, very few of the promoted persons were not party members or members of allied parties. It is not hard to estimate that over the course of two years, an average of every fifth person in the reserve cadre was promoted and that there was no special preference for this cadre.

The public feels that personnel policy has not changed much. This is made all the plainer by the fact that just two persons or sometimes only one were allowed to compete for director's posts at the voivodship's important establishments. In such a situation, anyone knows who will get the job.

Preparation and training for management positions was supposed to be handled by company administrations in cooperation with specialized institutions, higher schools, personnel training centers and scientific and technical associations. Party instances have taken over the realization of these tasks and the realization of ideological education.

In practice, the roles have been somehow reversed. The initiative has been taken by the party instances and work with the reserve cadre has amounted to no more than occasional meetings in the departments of the KW PZPR, political training courses and the participation of reserve cadre members in important propaganda and political campaigns. That is also why there are justifiable fears that political preparation is more important than the expertise that is so preferred in the principles of the new cadre policy. It seems that this can be explained by the fact that some of the reserve cadre have not agreed to the latest proposals for their political education.

But those were not the only refusals. Members of the reserve cadre have also refused to take the position proposed to them! Among others, teachers have also voiced this refusal. It was only when presented with a concrete proposal that some became aware that they were uninterested in management functions. However, it has more often been cool calculation rather than personal and emotional reasons that have had the decisive role. Many jobs in which the party has an interest are not in lucrative and highly-paid positions. Responsibility for running a factory is not recompensated by higher earnings. This may, however, obscure the fact that not all members of the reserve cadre have been properly selected.

"Choices have not always been correct," admits the report director of the Chelm KW PZPR Personnel Department, Franciszek Lopaciuk. "We wanted for members of the reserve cadre to be designated during party meetings but that was not done everywhere. Along with well-considered proposals, there were also bad ones. In many cases, the designated persons did not know that what to expect in the future, what skills and knowledge they would require and what jobs they would hold.

Here we must add the greatest doubt: what determines the promotion of a member of the reserve cadre? Is it qualifications, skills, experience and activity or just good luck?

Regardless of how things might look, no one in the reserve cadre already has a job pocketed. Since the "job merry-go-round" was destroyed, we have not replaced it with any sensible system for rotation in managerial positions. We cannot out of concern for new personnel drop the old and depreciate the value of such experienced persons. In this area, we are still stuck in the era of nomenklatura.

Losing a job is still something like being thrown overboard. It still remains easier to "pull someone out of a job" whenever there is some scandal or affair at the workplace, especially when the director is incompetent, inactive and too old-fashioned. That is why directors either "go out with a bang" or move sideways into another job at the same level of responsibility.

A person's promotion from the reserve cadre is not something required by the new economic situation or its needs but rather the result of many random factors. It is hard to be surprised that the reserve cadre pay little attention to their own position. The preferences given them are too vague and random.

Moreover, excessive ambition can do them harm. The "reserve" poses a threat to many present managers. Many of them are afraid of the competition and have not permitted the creation of such a reserve. The stipulation that "a bad director is one that has no trained successor" made at the last voivodship party conference in Chelm never went beyond the paper it was printed on. However, the worst sin of all is that the new personnel principles are constantly being turned around by the "insiders", the party figures, social workers, activists and those who, as they say, have made a name for themselves. Being active at meetings, saying the right things during conferences and participating in public campaigns are all means of making oneself known and can be important in getting a promotion. The right to take the speaker's stand is often confused with management ability.

"It is true that we tend to deal just with the people we know," admits Director Lopaciuk. "There certainly are young, active and capable people that we know nothing about. After all, the stormy period at the start of the 1980's did bring out some unknown but capable people whose intellectual and organizational potential have often been exploited by our political enemies. We should learn the right lesson from that experience and go outside of the circle of 'our people'".

Can this be done? One of the Chelm KW PZPR Secretariat's recommendations on work with the reserve cadre was to eliminate people with no chance of promotion and replace them with young people, party nonmembers and women. The Chelm party organization is aware of the shortcomings in its work with reserve personnel. Past experience has dictated the principle that management positions should above all be taken over by persons from the reserve cadre.

But the real swallows that may being in the springtime are the ever-bolder personnel decisions of the basic party organizations [POP]. It is common knowledge that no promotion to a position in which the party has an interest can be made without the approval of the POP's. Sometimes, the POP's do no more than offer an opinion but it can also go beyond that.

For example, the POP at the Voivodship Directorate for City and Rural Development in Chelm has reproached the director for many improprieties and demanded his dismissal. In response to those demands, the director resigned. In May of last year, the POP at the Chelm Agricultural Construction Enterprise withdrew its recommendation of the director and accused him of poor work organization and of not cooperating with the party organization, worker self-management and youth organizations.

These and other examples show that the problem of getting the right people into the right jobs is an issue that goes beyond just the "top". Party instances judging a position filled by a party recommendation must and will continue to have to count more on the opinions not only of the party organizations but also of self-management and the unions.

Petrified personnel structures will most certainly help defeat the second stage of reform but there can perhaps also be found bold and correct methods of implementing the just principles of the "Chief premises of PZPR personnel policy".

12261

Kalisz, Stavropol TU's, Industries Cooperation Noted

260000217a Warsaw ZWIAZKOWIEC in Polish No 8, 21 Feb 88 p 4

[Text] Kalisz—Cooperation between the workers and employees of plants in the Kalisz Voivodship and the Stavropol region in the USSR is developing. Several months ago representatives of the authorities and of the union and youth organizations of both regions signed a framework agreement on cooperation during a visit by a Soviet delegation to Kalisz. Now this agreement is taking on concrete dimensions. Already 10 plants in the Kalisz region have signed bilateral contracts with Soviet partners. For example, the Ursus Mechanical Equipment Factory in Ostrow Wielkopolski have begun cooperation with the Stavropol Car Trailer Enterprise. The Kalisz Haft Openwork Products Factory is cooperating with the Artistic Products Factory in Piatigorsk; the Works of the Raszewy State Farm, with the collective farm in the Kirow region; while the employees of the Particle Board Plant in Wieruszow, with the Furniture Factory in Zelenchuk.

All of the contracts were signed during the visit of friendly Soviet delegations to Polish plants. The developing cooperation will include primarily work on implementing effective production methods, better work organization, exchange of specialists and working groups, and the transfer of technical knowledge. A broad range of social affairs will also be covered, including exchange vacations for workers' and summer camps for children and young people.

13021

Enterprises Criticized for Not Controlling Wage Increases

26000266b Warsaw RZECZPOSPOLITA in Polish 10 Mar 88 p 1

[Article by (CH): "Following a Meeting of the Presidium of Government—Wage Discipline Continues"]

[Text] (Own information) One cannot manage without a certain reminder. This year's package of enterprises making up the second stage of economic reform include a large-scale price and wage operation aimed at achieving two goals. The first goal is to improve the incorrect structure of prices and the second is to limit the economy's growing imbalances, especially those of the consumer market.

As a result of the referendum, the planned scale of price increases has been substantially reduced. This has caused postponement of the effects called for in a radical variant of economic reform which somehow never gained the required majority of votes to be realized but which nevertheless has its own fair share of supporters. The price changes implemented since the beginning of February have resulted in limited reconstruction of of the price structure but it has achieved substantial progress in the area of energy media. The scale of economic imbalance has only slightly diminished. This means that the lack of control over prices and wages can distort the positive effects of the entire operation. Furthermore, it makes it impossible to continue it according to the premises of the program set for realizing the second stage of reform.

A communique published since the last meeting of the Presidium of Government called for a return to these recent economic decisions. It also means that the management of many enterprises has fallen out of line with the philosophy of the second stage of reform. Price changes have for many of them become a signal to raise prices for their products to cover up wastefulness and bad work organization. At the same time, they raise worker wages with no regard to economic results and this has increased alarm over the state of economic and market imbalance.

Of course, there are firms whose results have allowed them to increases worker wages by more than 30 percent in accordance with the principles of wage and income

policy for this year. There are also those firms that can pay even more without any sort of misgivings. Unfortunately, there is a large group that in the name of egalitarianism tries to pay their workers enough to avoid losing out in wage competition and suffer worker shortages. It is sometimes the case that directors are pushed into such actions by worker self-management, the unions and even party organizations.

Everyone pays the costs for such a policy. The blue-collar worker, engineer, rank-and-file employee and director all become consumers after they put in their 8 hours of work each day. They are the customers that wind their way from one shop to the next to find something they can buy for their money. Very recent economic history has taught the economist and all of the rest of us that there is no doubt that the sum of money in the wallets of the people must be approximately equal to the value of goods and services on the market. If there is less of the latter, the market equilibrium must be protected by a quick-enough price increase because the only alternative would be a ruined market.

The government's announcement that it would adopt a series of sharp restrictions on enterprises that do not operate according to the laws of economics allows us to believe that we will not see such an extreme situation. There is talk about personnel and financial sanctions, withholding of credits from enterprises raising worker wages and a drop in production. In the first month since the change in all economically justifiable prices, "consuming" has limited the possibilities for growth in enterprises. Unusually high taxes will have to be paid on the increased wage payments.

If enterprises lack the money for this, they will be subject to the provisions of the law on revitalization of business management and bankruptcy. The time is ripe for thrifty and prudent persons to act.

12261

PZPR Voivodship Plenum Views Unemployment, Production Levels

26000266c Warsaw TRYBUNA LUDU in Polish 10 Mar 88 p 2

[Article by Jerzy Nogiec: "Plenum of the Gorzow Voivodship PZPR Committee—Objective Difficulties or Subjective Causes"]

[Text] An interesting image of the economy of Gorzow Voivodship was drawn in a report to the Executive Board of the Voivodship Committee [KW] by First Secretary Wiktor Kinecki which discussed the realization of economic reform. The discussion, on the one hand, indicated the many barriers to correct operation of industrial and agricultural enterprises, the causes of which are imperfections of law and the central government's policy and on the other hand the participants also presented examples of establishments that operate under the same conditions as others and yet which are very well managed and achieve good economic results.

Most establishments complain about the shortage of workers. At the same time, as many of 24.5 percent of the persons employed in the socialized economy and 26.0 percent of the employees of the construction industry are white-collar workers. At the "Koral" Plant in Mysliborz which has long conducted job certification, there are 100 white-collar workers for every 1000 employees and the director has one deputy.

In Gorzow Voivodship, which is not particularly distinguished nationally for its economic results, one can find many examples of enterprises and wise economic policy. The Gorzow "Stilon" Plant, the pasta factory, the scutching plant, the Kostrzyn Paper Works. The Rzepin State Agricultural Farm and several work cooperatives employ innovative and interesting solutions, are making progress, do not tolerate mediocrity and act without being told to do so. However, they are a minority.

In both the report and in many speeches, attention was drawn to the fact that the party must go on the offensive and take a decided stand against poor work discipline, bad production quality and bad financial discipline. Polish currency is also being irrationally regarded as worthless. Recently, even housing construction enterprises which do not work for dollars in this voivodship are forced do give up their currency to producers of lacquers, glues, etc.

The plenum also examined other very bad signs. In Gorzow Voivodship, the mean wages have risen slower than in neighboring regions and lower than the national average. And that is not the result of greater financial discipline but of a stagnation in production in many places of work and a lack of initiative. It was said that in the development of production, the values of the brigade work system have not been put to sufficient use.

12261

Economic System Blamed for Morality Crisis; Vicious Circle Seen

26000275 Warsaw PRZEGLAD KATOLICKI in Polish No 12, 20 Mar 88 pp 1, 7

[Article by Andrzej Tymowski: "Crisis in Social Morals"]

[Text] The purpose of the present analysis is to attempt a tentative presentation of changes in moral norms in Poland associated with the broadly defined integrity and socio-professional ethics. The last 40 years, i.e. the time after World War II, will be analyzed. In this instance, I will restrict myself to a synthetic outline of conclusions from research on changes in the moral infrastructure of our society carried out several years ago. This research has been reported and written up many times since(1); it

was also submitted for review to many professional and scientific communities. Determinations based on this research have been confirmed later by other authors(2). Their applicability appears to be complete even in a changed political and economic situation.

The results presented below are based primarily on in-depth interviews with persons over 50 years of age who were selected intentionally and are currently holding (or held until recently) high positions in their professions or communities (altogether, about 140 interviews were conducted). Over 90 percent of our interlocutors had college education, 85 percent were men, and about 75 percent were residents of Warsaw. Consistency in the interviews was assured by the author conducting all of them personally, using a flexible plan of conversation. The interlocutors were selected so as to obtain views on employee groups meeting the immediate needs of the populace (employees of trade and services, construction and housing cooperatives, the health service, education and colleges). The representatives of both the above groups and other social groups, such as college professors, technicians, lawyers, managers and disabled war veterans, made statements on this topic. For example, opinions on changes in the morality and ethic of the health service were voiced not only by people from this group, but also from people using this service. This was also the case with evaluating changes in the morality of trade employees, as well as construction and education employees, though to a smaller degree. In this manner, it became possible to compare their views. As it turned out, they were generally the same.

Despite the subjective nature of sources, the statements collected in the course of research acquire the meaning of objective statements on the actually operational, or rather practically used, moral norms. The fact that these norms are not officially proclaimed or sanctioned does not change the heart of the matter: they have struck a strong enough root in everyday practice for us to be able to acknowledge a change in the socially operational concept of integrity and the work ethic.

All of the interlocutors stated that, compared to the pre-war years and the period between 1945 and 1960, the interpretation of the notion of integrity has undergone a major change. Some deeds which before the war were considered dishonest are now tolerated or even amount to the norm of behavior. The pointedness and similarity of views on this topic arealtogether surprising: all interlocutors maintained that the level of integrity and compliance with professional ethics had declined considerably, whereas violations of professional morality norms in effect at the time had become commonplace. The omnipresence of this phenomenon makes it possible to put forth the assumption that new models of behavior had formed contrary to those existing years ago. It is also noteworthy that the omnipresence of this phenomenon is accompanied by quite common criticism of it: it is often tolerated in practice and at the same time criticized by the same people, which we may term moral schizophrenia. On the basis of observations in later years, we may state that the economic and social crisis we have been and are going through, in its turn, has further exacerbated the crisis of moral values, altering, at the most, the pathological condition in this field. It appears that violations of economic laws engender almost automatically negative consequences in the sphere of morality and work ethic. This linkage often escapes the attention of main centers of decision-making. However, it is very marked; it is one of the basic reasons for the crisis in the moral infrastructure. Therefore, it cannot be overcome without systemic changes.

The respondents state unanimously that the mode of operations in the economy is responsible to a great degree for the erosion of integrity and morality. What is meant here are, among other things, permanent shortages in the market—lack of correspondence between supply and demand—and, more generally, the lack of normal access to goods, services and social benefits and an entire array of consequences it entails. Disarray and poor organization of work are also a disastrous factor in the decay in norms of work ethic, as the statements suggest. In their turn, wages, which are set too low in some sectors of the economy, were mentioned in this context considerably less frequently.

Continuous absence of a market equilibrium, which has been since the mid-1970s an inseparable feature of our economy, opened enormous opportunities for speculation, that is, sale of goods or services at black-market prices or their barter for various benefits. This is not the case with tangible goods alone. Frequent collection of payments (or other considerations) is widely noted for a quick referral to a hospital or a resort and so on (for social benefits which are nominally free or partially free and provided within the framework of the so-called collective consumption).

The supply policy is closely associated with this. It has been stated many times that the lack of, say, basic construction materials needed for repairs of apartments is one of the main reasons for the rise of the black market. This market is socially accepted in practice, since it alone provides access to necessary materials. Therefore, theft of these materials from construction sites and all "leaks" of them from various organizations which handle them are thus also accepted in practice. The social perception is that in this way the "mistakes" of decision-makers are simply "corrected."

Inconsistent policy of the state towards the private sector is also closely associated with the phenomenon of declining professional integrity.

This policy creates a situation in which the operation of these enterprises has to violate laws and orders. As a result, this brings about corruption in the administrative and financial apparatus and securing raw materials for

production illegally, because other ways are not available. The lability of policy towards the private sector, difficulties created for it and so on result in private entrepreneurs not being interested in gaining clients, good quality of their services or products or the development of their businesses. In most cases, they strive to make a lot of money and withdraw from the enterprise as soon as possible or change their line of business, because they know that the future has nothing good in store for them; at best, it has yet another "portion [of the same]." Therefore, getting rich as fast as possible, "while you still can," remains their goal. Under such circumstances, it is difficult to expect integrity from merchants. I can only repeat after one of the respondents that "every socio-economic system has the kind of private initiative it creates."

A large share of respondents believe poor organization in our enterprises and administrative institutions, which makes various abuses possible, to be one of the causes of decay in morality and work ethic. Even the correct regulations in this matter are often ignored or complied with only technically. Almost all respondents used as an example construction enterprises, the organization of which allows waste, shortfalls or doing extra work, "moonlighting," during regular work hours. More examples of this kind could be quoted. All of them show the collapse of the work ethic, frequently also among the management cadres who tolerate illegal activities or participate in them outright. Often it is done not only for personal gain, but also in order to increase the wages of their subordinates.

Over one-half of the interlocutors stated that it is necessary to restore the authority of moral norms in selecting people for positions of leadership. At issue is abiding by the principle that only a person of impeccable morality and demanding on his subordinates in this matter may hold such a position. The priority given to political loyalty and involvement has caused far-reaching negative consequences. People apparently dedicated to "socialist construction" have often concealed their dishonesty and desire to get rich in an unlawful manner by proclaiming slogans. After all, as the respondents stressed, the higher the position held, the more important abiding by moral norms becomes. Any deviations in this field are immediately noticed and emulated by the subordiantes, and subsequently they become a model of behavior, a justification of sorts. "If the director is doing it this way, so can I"—statements like that may be heard often.

A large segment of respondents saw yet another cause for the crisis of the work ethic in the disappearance of opinion-making and norm-setting role of professional associations. This resulted from the destruction of their autonomy and their subordination to state administration. Before and immediately after the war, associations of doctors, engineers, attorneys or merchants condemned actions by their members which fell short of moral standards set at a high level. A person who had been given a negative moral evaluation by his association attracted odium from the entire community. Eliminating the autonomy of these associations, bureaucratizing them and bringing political pressure to bear on them often caused people without moral authority in their community to be nominated to their administrative bodies. Under such conditions, disciplining functions of professional associations have been considerably restricted, if they are at all performed (perhaps not deliberately, but in fact). Who else can better and more efficiently struggle for the morals of attorneys, doctors, engineers or merchants than their own professional organization? As many respondents belonging to various groups stressed, people enjoying great authority in professional circles, nominated and accepted by their community, should serve on the administrative bodies of such associations rather than people from the outside forced on them. Hence the tremendous significance of free elections in microstructures, because the health of the entire society often hinges on morally healthy microstructures.

Some respondents noted the lack of open declaration of incomes and the existence of an array of privileges in the financial sphere which are not publicized or covered by the tax system. In a situation when many goods are not available, an opportunity to obtain them or purchase them at below the official price is a privilege (e.g. allocation of vouchers for cars or lots at symbolic prices). The interlocutors stressed that exempting the system of privileges from social control demoralizes the society. Evaluation of the scope of this phenomenon may be exaggerated due to the lack of precise data on this subject. However, its scope is considerable, and it has even picked up towards the end of the 1970s. It was also noted that abuses by people in high offices happen in all countries and systems. This, however, necessitates far-reaching control of the income of these persons and increments in their assets.

The view is widespread (justified as it were by numerous examples from recent years) that actual violation of moral and legal norms engenders little practical response. Actions in contravention of the law known to the general public are often not at all punished or, even if there is an investigation, it is suspended and the culprits suffer no stiff punishment (including financial). Hence the almost universal conviction that luminaries, even ones who violate the law or norms of professional ethics, will "at the most be transferred to another similar position and will not return what they have misappropriated anynhow!"

A linkage between the conditions of life of employees in various economic sectors and violations of the tenets of professional ethics appears much more complex. On many occasions, it was noted that the wages of the health service personnel or teachers, set too low since the war, may be one of the causes of the declining work ethic and integrity in these professions. However, it was also stressed that the level of integrity among construction

workers is by comparison the lowest, whereas their salaries considerably exceed the average. Also emphasized was the frequent lack of integrity in retail trade, consisting of cheating on weight, substitution by qualitatively worse goods or extortion of surcharges for purchases of goods which are in short supply.

A view of one's wages is now highly subjective and often has little in common with objective indicators. Many people believe that their wages are not commensurate with the work they do. Therefore, few people are satisfied with their wages, especially now, in a time of powerful inflationary processes. The crisis and market difficulties also provide an excellent excuse for the segment of employees who feel a need to justify their behavior which is not always in line with ethics and employee integrity.

One more cause of the crisis of integrity, frequently mentioned by respondents, is the lack of correspondence between the officially affirmed slogans and reality. The society has come to believe in the slogans of egalitarianism, in the publicized statements that work is the source of success in life. At the same time, this same society, watching every day the practices in which various people engage in order to improve their standard of living, is perfectly aware that their achievements are not the result of honest work.

Be that as it may, even the most precise diagnosis does not solve the problem and does not cure the disease. The goal of the research carried out also was to solicit suggestions on how to struggle for improvements in the existing situation. The following are the conclusions suggested by a review of the responses received.

It is necessary to reveal the incomes, especially those of privileged social groups, and also eliminate profits drawn from various benefits and hard-to-quantify privileges. In many cases, the amount of income should be measured against the actual increment in assets. We could emulate the arrangements in effect in various countries whereby the level of income and assets of persons in high positions are released to the public.

The norms of morality and professional ethics should be absolute in nature. They should be mandatory for everybody, with special emphasis, however, being on persons in high and the highest positions.

It is necessary to create as fast as possible an opportunity to satisfy material needs with honesty by regular purchases of goods and services in general-access retail outlets, the same for all people. As 40 years of practice to date show, all other arrangements spur the creation of black market and promote dishonesty. In the general opinion, "the black market is a social necessity" and it is hardly condemned in a serious manner. This makes any action against market pathology impossible.

Enhancing professional ethics cannot be a one-time action, but rather a systemic axiom to which other current issues should be subordinated. A strong moral infrastructure is one of the basic prerequisites for proper operation of the economic and social system.

Regardless of the differences dividing the society, a struggle in defense of basic values should unite everybody. The consequences entailed by an infringement of professioonal ethics make everyone's life difficult and are an everyday plague. The causes of moral collapse will not be eliminated without systemic changes. Naturally, the Catholic church should attach tremendous importance to this issue. Its ages-old authority and the awareness that moral issues are the essence of its activities predestine it for this role. For a Catholic, life according to the decalogue and work ethic should folllow from his religion.

Footnotes

1. Among others, in "On Changes in Morality," BIULETYN TWWP, No. 5/95/XIX and 6/96/XIX, Warsaw, 1980; "Morality and Upbringing," in "The Upbringing Society," Warsaw-Wroclaw, 1983.

2. Cf. M. Wisniewski, "Economic Prerequisites for the 'Second Distribution System' in the Polish Economy"; M. Bednarski, "Basic Issues of the Operation of the 'Second Distribution System' in Poland," in "Issues of Deviance and Crime," edited by P. Wojcik, the Academy of Social Sciences, volume 4, Warsaw, 1985.

9761

Columnist Needles Government Press Spokesman About Emigration

26000314 Poznan WPROST in Polish No 13, 27 Mar 88 p 31

[Article by Waldemar Kosinski: "The Dentures of the State"]

[Text] My contrite apologies to Minister Jerzy Urban for the delay in answering his appeal "to Poles for expressing in various ways their views" on the issue of the emigration of the intelligentsia youth. I feel obliged. But first of all, that appeal surprised me because I had the impression that the government has already listened to more than enough tiring views on obvious subjects. Second, the problem of the emigration of young people has been considered in newspapers for a good couple of years now, with the weekly WPROST and this columnist himself also contributing to the discussion. Properly speaking, it might seem that everything that could be said about it was already said, but it turns out that this is not so.

The immediate stimulus for jotting down these observations was the latest press conference of the Government Press Spokesman at which Minister Jerzy Urban thanked the citizens for their initial comments on this

interesting issue, whereupon he took a swipe at Western publications which also took a position on this subject although nobody had asked them. Besides, they did not say the right things, and for this reason they were pointed out accusingly. In some of the related aspects I even support Minister Jerzy Urban.

Consider for example the motives prompting people who emigrate to the West. Minister Jerzy Urban declared that the principal motive is higher wages and harder currencies abroad, whereas political considerations are only marginal.

What can we do about the fact that in some countries wages are higher than in ours? What influence do we have on the position of the dollar, whose exchange rate is steadily falling but, if considered attentively, keeps on being strong?

Yet, Western correspondents write that Poles go abroad in search of bread, that is, out of poverty because they have nothing to eat. This is of course untrue. There is bread aplenty in any store, unless the time is past 1600 hours when no bread is left in my local store but bran is still available, and still for zlotys at that—top-grade bran produced by Polonia-foreign companies. Before the war people emigrated abroad in search of bread. Even earlier they had emigrated for political reasons, during the Partition Period, and this is how the Great Emigration [political emigres following the unsuccessful Uprising of 1830-1831] and "Hotel Lambert" [aristocratic-conservative faction of the "Great Emigration," deriving its name from the Paris residence of its leader, Prince A. J. Czartoryski] made their appearance. In what way is it related to, say, some small office in Brussels? [thia refers to Solidarity's office there]

If nowadays any people emigrate in search of bread, as the Western press interprets it, they are only the kind of people who do not feel like going to the store before 1600 hours or who have bad teeth and fear the dentist. I excuse denture wearers, besides no one is complaining about them, certainly not Minister Urban either. If they want to, let them emigrate, although, truth to say, their dentures were paid for by the government dental insurance so that essentially they are dentures of the state.

We are concerned with those whose teeth are healthy and who moreover have graduated from institutions of higher education and could, without harm to their health, crack with their teeth more than one tough nut, meaning issues of concern to us, which can in no way be cracked by those who have lost their teeth in the earlier stages of mutual contending for a better future. Besides, let us admit it, what are they to crack those nuts with—teeth provided by government dental insurance?

What is not of interest to Western reporters is that if the situation continues, there will soon be no one to install false teeth because all the dentists will have emigrated from this country.

Minister Jerzy Urban is asking who will pay for the training of the emigrating physicians, engineers, and economists, and the Western reporters, instead of reaching for their wallets, reach for their pens and write about human rights. Thereupon Minister Jerzy Urban yet again patiently explains to them that hard-working Polish citizens set aside a substantial part of the fruits of their labor for educating the rising generation and, once this is done, the young M. A.-degree holders depart the country together with part of these material boons, without their parents being asked by anyone for consent. But no, the Western reporters do not get the point. Therefore, Minister Jerzy Urban further patiently explains to them that there [in the West] is no free [higher] education, that only a few can afford it, and that moreover a large proportion of university graduates there cannot find employment. Nothing [no reaction from the Western reporters]. They remain silent and show no sign that they understand. In such a situation it is hardly surprising that the graduates of Polish universities find jobs in Western countries while we in this country have for years been complaining about a decline in educational standards and here these graduates are going jobless. In addition, Minister Jerzy Urban pointed out that they [the West] are getting our brain drain gratis, but I personally would not go deep into that issue considering that Minister Urban has already made it clear that in the West there is no free higher education, and therefore it costs the society nothing, whereas in this country the average working citizen sets aside for the education of youth a substantial part of the fruits of his labor.

Besides such reflections are too subtle for most foreign reporters. They prefer something more explicit. For example, they report that the waiting time for an apartment in Poland is 20 years. It is surely out of delicacy that Minister Jerzy Urban does not mention this plainly, but it ensues from the logic of his expatiations that were people in the West to be allocated housing on terms as advantageous as those in this country, they would probably have to wait longer for it. Well, in the West people are not allocated housing; all you need to get it is money, preferably cash. It is mostly country houses with swimming pools that are sold on the installment plan. A Pole, by contrast, pays only 10 or 20 percent of the value of his apartment, the remainder being subsidized by the state on very convenient terms, largely without requiring reimbursement—hence the waiting lists. Unfortunately, it is still unknown why there are waiting lists for housing at cooperatives of the "Locum" type which charge in dollars, let alone the ordinary housing cooperatives at which dwellings are paid for in dollars and the waiting lists are, as it were, longer. Besides, let the foreign reporters themselves worry about it.

But they prefer to worry about the lack of good material prospects for youth in our country, and they claim that the reform, too, does not provide such prospects. In reply, Minister Jerzy Urban rightly tells them that not all young people earn little, and that many miners, modern

farmers, sailors, and fishermen are making a good living. This is highly valuable information not only to foreign reporters but also to university graduates and physicians who could, after all, instead of emigrating, undergo retraining into farmers or fishermen and prosper in this country. Besides, as Minister Jerzy Urban pointed out, dozens of franchises are waiting to be accepted by young people who aspire to make lots of money, so why do not they go ahead, accept them, and make a mint? To us this is clear and simple, but to the Tuesday visitors [Urban's press conferences are held regularly on Tuesdays] it is not as clear and simple. But then how can it be surprising that they are baffled by the thicket of the regulations binding in Poland, since they are just as baffled by the iron logic of the Tuesday conclusions and subsequently report nonsense. That nonsense is later read by people in various countries, and it puzzles them no end, so that they both feel worried and laugh. But they are quite wrong to laugh.

1386

ROMANIA

Village Life, Restructuring Discussed

27000063 Bucharest CONTEMPORANUL in Romanian No 12, 18 Mar 88 p 9

[Article by Dr Radu O. Maier: "Aspects of Development of the Contemporary Romanian Countryside"]

[Text] The idea of restructuring the rural environment in the context of the current economic, sociocultural, and political changes is a necessity imposed by the natural process of development of our socialist society and of the on-going demographic growth of the country. These processes are leading to substantial changes in the structure and superstructure of the rural environment. A result of this process is growing interest in the physical makeup of the land, the living space of towns and cities which is gradually being transformed into points of convergence of all social life, something ultimately given expression in lessening of the differences between town and countryside. These ideas have been presented forcefully and clearly again by Comrade Nicolae Ceausescu in his address, delivered at the recent National Conference of People's Council Chairmen. On this occasion the president of Romania pointed out that "we must make increasing use of the wonderful traditions and creative genius of our people, the true creator of the national culture." Ethnographic values are an essential witness to creative genius and a component of the greatest importance of our cultural tradition. These values should be ascertained and preserved, especially under the conditions of the vast process of developing and modernizing localities.

The restructuring of rural areas, sound organization of these areas, and creation of sociocultural institutions can provide all the necessary conditions for the material and spiritual life of the population. Hence particular attention is devoted to harmonious development of localities, including gradual reduction of the essential differences between town and countryside and elevation of the level of development of the countryside to that of the city. Hence guidelines are being laid down for systematic development of cities, communes, and villages for the purpose of creating units which are strong from the economic, public utilities, and commercial viewpoints through efficient local restructuring.

Systematic rural development is naturally linked to the configuration of settlements and their expansion primarily from the viewpoint of production of material and spiritual assets.

A basic component contributing toward creation of the territorial formation is the village, as a component of cardinal importance in organizing rural space. The village in its turn is made up of the village precincts, the population, and the workplace (village area, country, land). Examination of the village reveals that it forms a cohesive unit whose characteristics are determined by the economic structures and the rural landscape of which it forms part.

The village precincts must be considered to be an historical reality primarily because it is the repository of popular culture—national, spiritual, and material. It is an ethnographic reality which embodies attributes of the historical, economic, and sociocultural life of the people.

In studying and re-examining the ancient precincts and their evolution it is necessary to refer to historical and ethnographic names, track down examples of old peasant architecture, engage village elders in discussion, and study commune archives and old property records.

From the earliest times the dwelling, the house, has been the basis of permanent settlements, where man has bound himself to the soil and taken up permanent residence, thereby creating settlements, villages (of different types), which are integral parts of the rural environment. They are centers of production, especially in the form of agricultural or cottage industry. They are surrounded by a certain area with features suitable for the occupations of the inhabitants—earth for agriculture, forests for working of timber, stone for stonecutting, pastureland for raising livestock, etc.

The location of the village was the problem of the highest importance in the thinking of the Romanian peasant. He examined this matter very carefully, considering the advantages afforded him by the surrounding area, advantages which must also be kept in mind in the work of rationalization and systematic development of rural localities, account also being taken, of course, of the new socioeconomic criteria and the need for preserving certain traditions wherever this is possible.

The Romanian village has been sharply differentiated in time and space from the viewpoint of its territorial organization. Thus we find a wide range of rural settlements such as the scattered village, the clustered village, the village along a road, the village along a waterway, the geometric village, etc, each of which has specific ethnographic features of its own, its own physiognomy. The economic, physical, geographic, and historical-ethnographic elements must be taken into account as factors of cardinal importance in rural development so that such systematic development will be scientific and possible of accomplishment.

As was pointed out earlier, ethnographic characterization of the villages studied clearly shows that in Romania we have villages in hill and mountain areas which greatly complicate systematic development efforts. The mountain areas in question are heavily populated and have specific features of their own. We have such areas in Arad District: Rosia, Petris, Birzava, Halmagiu, Brusturi, Virfurile, and Avram Iancu; in Bihor District: Beius, Vascau, and Dr Petru Groza; in Cluj District: Dingau, Izvorul Crisului; in Alba: Arieseni, Arada, Avram Iancu, Vidra, etc, where the groves of trees cover tens of square kilometers, the Subcarpathian areas of the Gorj, Arges, Prahova, etc.

Romanians have lived in all these areas for hundreds of years, establishing permanent settlements with suitable occupations such as goldsmith, woodcutter, lime dealer, vat and barrel maker, etc in the Apuseni Mountains. For centuries these occupations have been pursued for the most part only by Romanians in the area. This area has never been a demographic or economic vacuum; it has always been a cradle of Romanian culture and civilization. This is being demonstrated even today by archeological documents and by the complex occupations of this population—woodworking, tending livestock, tub and barrel making, and especially agriculture practiced on mountain terraces. This is a specific feature, a characteristic trait of these Romanian regions which is not encountered in other mountain areas. However, there should be for these areas as well a new and comfortable lifestyle meeting the current, modern requirements of systematic development of rural localities, in keeping with the policy of our party. Modernization of these settlements presupposes a network of access roads, cultural and social buildings, sources of water, etc, developments which would lead to increased efficiency in utilization of all the resources available to these areas.

In the Western part of the country, for example, I have studied settlements characterized as being part of the transitional zone from plains to the hilly region. They are of a nature distinct from those of the mountain zone, and the traits of the mountain zone are combined with those of the plains in their economic and social life. The most common and largest independent settlements, marked by independence and by political-social, and especially demographic superiority, settlements typical of the excellence of the Romanian population, made their appearance at a very early date in this area. They are especially typical in Transylvania. The villages in this area are dispersed along valleys and waterways or along ridges of hills or gentle mountain slopes, where farms with their outbuildings are scattered over the entire area of the village, forming an enormous village region. These villages in the area have used for construction the materials available in abundance throughout the area, and so wood and stone have thus contributed to the creation of a veritable woody civilization, giving rise to the authentic, original, communally owned Romanian village. Under the conditions created in the course of many consecutive centuries, serious problems have arisen in these areas in connection with the systematic development of the villages. Solving these problems will require fruitful collaboration cutting across disciplines; the historical, economic, ethnographic, and in these cases the geographic, factors will play a major role in their solution.

The last village category we wish to discuss is that of the plains villages. The largest land areas of the country involved in agriculture are concentrated in the plains areas, as is also the greatest volume of human resources. As in the Cimpie romana [Wallachian Plain], in the plains areas in the Western part of the country the concentrations of population are larger and more systematically developed, because these areas are large grain-growing basins with a predominant economic feature typical of the plains.

To allow agriculture the greatest possible number of arable land areas suitable for growing different crops, the villages have become major socioeconomic aggregates specializing in the growing of grain crops and livestock raising. Unlike the hill and mountain villages, they are very large, in many cases having 10,000 to 12,000 inhabitants, large land areas, and great economic power.

Unlike other types of settlements, those in the plains can readily be adapted to the conditions of systematic development of the urban type, and sociocultural, technical, and service buildings can be built on the streets inside the villages even today. The problems of systematic development are much easier to solve here under these conditions, but local needs and specific characteristics must be taken into account here as well.

As is to be inferred from the foregoing, the element subjected the most directly to systematic development is the village "precincts," within which there has been concentrated for centuries the widely varying experience acquired in the sphere of architecture and administrative structures of all kinds designed to meet the needs of the rural population.

Also of great importance as regards the geographic position which the precinct occupies relative to the area of the village is the size of these precincts, in order that the village may responsibly and realistically deal with the

problem of systematic development, as a function of its geographic location and access roads, bodies of water, industrial installations, markets, agricultural zones, and even urban areas.

A characteristic of these villages is the clearcut separation of the built-up portion of the village from the area set aside for agriculture, grape growing, and so forth. The village precincts of this type have a more or less orderly "network" of streets with a very high density of structures, as is to be inferred from the sayings of local informants: "Hereabouts you have to go somewhere else to find room." The picture of our villages merely reflects the stages through which they have passed over the centuries, and now we must determine what they are to become.

6115

HUNGARY

Entrepreneurs Association Formed After 5-Year 'Struggle'

849 Attend Statutory Meeting

25000148 Budapest HETI VILAGGAZDASAG in Hungarian 27 Feb 88 pp 4-7

[Article by Florian Mezes: "The National Association of Entrepreneurs. A Sense of Can Do"]

[Text] After a struggle that lasted nearly 5 years, the National Association of Entrepreneurs held its statutory meeting last Saturday [20 February]. The 849 participants who were eligible to vote approved the association's statutes, and elected its presidium and other officers. At the end of the statutory meetings, the participants unanimously adopted a standpoint that states, among other things, the following: "The entrepreneurs who belong to the National Association of Entrepreneurs feel that they themselves are best qualified to explore, reconcile and represent their own interests."

Peter Simsa, chairman of the Vertikum Small Cooperative who headed the association's organizing committee and has been elected chairman of the association at its statutory meeting last Saturday, said in his opening address: "By forming the association, we are creating a forum where entrepreneurs, through cooperation and mutual assistance, are able to improve the conditions of their economic activity and to represent their interests. A purpose of the association's members is also to criticize the way in which the representation of interests functions and is organized at present. There can be no doubt that the political and state leaderships also share our view in this respect, otherwise the formation of our association would not have been possible."

The association has been formed as a confederation of entrepreneurs, although originally the organizers had intended a different name for it: the name proposed in the draft statutes was still National Association of Small-Scale Entrepreneurs. In the debate on the draft statutes on Saturday, several speakers objected to this name. Some favored National Association of Private Entrepreneurs; others, National Association of Small Entrepreneurs. Finally, National Association of Entrepreneurs was adopted by a majority of the 849 eligible votes. As one speaker argued, this name reflects the most accurately the association's essence.

At the statutory meeting on Saturday, many speakers combined the selection of the association's name with another important issue: who qualifies for membership in the association. If the attribute "small-scale" were retained in the association's name, some speakers argued, then no state enterprise or cooperative could join the association, even though the statutes clearly state than any legal entity may apply for membership if it agrees with the association's statutes and objectives. But others proposed that specifically this provisions be deleted from the statutes. Peter Komaromi, representing the Hungarian Economic Chamber that acted as one of the midwives at the association's birth, supported this proposal. He explained: "It cannot be the association's aim to have large numbers of large-scale enterprises join and even gain seats on the presidium." This would jeopardize the interests of small entrepreneurs, asserted several people who were reluctant to admit enterprises into the association.

In the end, the standpoint to admit also large-scale enterprises was approved by a majority of votes. In other words, the original wording of the draft statutes was retained: any legal entity could become a member. The majority perceptibly acknowledged that the association's activity—that, too, is defined in the statutes—would preclude a large number of applications for admission from large-scale enterprises. For the association will be safeguarding not their interests, but specifically the interests of small entrepreneurs or, more accurately, of entrepreneurs. Many of the participants presumably realized also that an association wishing to rally entrepreneurs cannot exclude the enterprises whose attained results indicate that their workers are genuine entrepreneurs. As Sandor Ficza, the chairman of the Texo Small Cooperative, explained: if a state enterprise achieves an annual net profit of one million forints per worker—as his small cooperative has done—then let it join the association and even have a seat on the presidium; it would deserve to be there.

On many issues at the statutory meeting (which, incidentally, lasted more than 5 hours) the over one thousand small entrepreneurs and interested persons were persuaded to accept some standpoint not only by arguments but by sentiments as well, or by reasoning that played on emotions. A lengthy debate developed, for example, over whether there ought to be conditions for the admission of members. The drafters of the statutes had thought that "applications for membership will be decided by the governing body of the section concerned," and its decision could be appealed to the association's control committee. But several speakers objected to this, pointing out that participants attending the statutory meeting automatically became members, simply by filling out application forms. Then by what right were they excluding others from automatic membership? Some speakers asked why an application was not enough for membership in the case of a registered small entrepreneur who has already satisfied the authorities that he meets the conditions specified by law. Therefore the association had no reason to reject his application for membership. As one of the speakers in the debate added: "Such restrictions would sooner or later lead to where an applicant must be recommended by two members to gain admission." The statutory meeting finally decided that any applicant who, respectively any applying legal entity which, meets the conditions specified by law automatically becomes a member of the association.

"Let us do it differently than has been customary in Hungary" and "let us be different" were recurring arguments in the debate. This usually referred to similar interest-representing organizations, respectively to similar (general) meetings of members. As several speakers explained, they were very glad that the association has been formed, but they feared that it too would become "what the other associations have become." Some speakers went so far as to say: "Now that we finally have an association of our own, let us not be tight-fisted." The accusation of stinginess was made when the statutory meeting debated the association's proposed annual budget. It calls for 16 million forints of total expenditure. This includes 6 million forints for the rental and remodeling of premises, 2.5 million forints for the salaries of a staff of ten (a reserve of 1.0 million forints is set aside for the same purpose), and 1.0 million forints for postage. Some of the speakers in the debate felt that an average monthly salary of 13,000 forints after taxes and other withholding, and 6 million forints for renting premises were too much. But other speakers felt that some of the items, and the total expenditure, were not enough. Not only on the principle of "why be tight-fisted," but also because several speakers argued in the case of salaries, for example, that excellent work can be expected only for excellent pay. And the association should indeed expect excellent work from its employees. Still others felt that not enough was being budgeted for premises, arguing that "we must pay for befitting premises if we want our meetings and conferences to be dignified."

There were many speakers also in the debate on membership fees. The draft statutes had proposed a uniform annual membership fee of 4,000 forints for corporate members, and 240 forints for individual members. The debate was on the 4,000 forints; the statutory meeting evidently accepted the 240 forints.

As Peter Simsa, who headed the organizing committee and sat on the statutory meeting's presidium, explained, they felt that both the proposed membership fees and the annual budget were about right. "Many people have said here that the fees and the budget are too high, but many others have said the exact opposite. Which indicates that we estimated correctly how much the membership fees and the budget ought to be," he said and added that the membership fees could be reduced, of course, if the association's revenue developed favorably. "I would like us to raise so much money, and have so much left over, that at next year's general meeting of members I could announce that the annual membership fee would be 3.50 forints," he said in his reply. Anyhow, the statutory meeting approved the 4,000-forint membership fee, and the 16-million-forint budget in its proposed breakdown.

As Peter Simsa pointed out repeatedly, the National Association of Entrepreneurs itself will not undertake any business activity. With this restriction they would like to avoid the possibility that the association's officers might use the organization for the benefit of their own small businesses. The association, if necessary, will farm out activities under contract. The statutory meeting rejected also a proposal that the association's officers be paid. In the end, a majority of the voters accepted also in this case the version proposed in the draft statutes: the association's elected officers will serve without pay, regarding their activity as voluntary public work. Thanking those who had proposed pay for the association's officers, Peter Simsa said: "Hopefully we will be able to earn a living from our own businesses also in future and will not need to rely on pay from the association."

The draft statutes did not specify that also artisans, retailers, private carriers and small-scale farmers could be members of the association. Several of the representatives of these occupations at the statutory meeting wanted to know whether or not they could be members of the new association. Replying on behalf of the organizers, Peter Simsa explained that anyone can become a member of the association if he identifies with its aims and otherwise meets the conditions specified by law. This applies also to representatives of all the trades and occupations just listed. In conjunction with artisans, for example, he said: "We avoided this expression because we do not want to compete with the KIOSZ" [National Organization of Artisans]. But he immediately added: "We are an open organization, and we welcome any entrepreneur, retailer or artisan among our ranks."

This caution of "we do not want to compete" must have been necessary for the entrepreneurs to even reach the point where they could hold their statutory meeting. Answering some of the speakers who brought up the question of safeguarding or representing interests, Peter Simsa merely said that "The representation of interests has been the most delicate issue in the negotiations over a period of several years, but now we have been able to resolve it." As he explained in response to our question, under the present arrangement the Hungarian Economic Chamber will submit to the government agencies also the standpoint of the National Association of Entrepreneurs, even if that standpoint is in conflict with its own. "Of course, our objective is to be able to contact government agencies directly; i.e., to participate independently, on behalf of the entrepreneurs, in the process of making national economic decisions," he said.

Economic Chamber's Intermediary Role Criticized

25000148 Budapest HETI VILAGGAZDASAG in Hungarian 27 Feb 88 p 5

[Text] Will the National Association of Entrepreneurs be different from the interest-representing organizations that have been operating in Hungary up to now? This is what we wanted to know when we interviewed Peter Simsa and Janos Palotas, respectively the chairman and co-chairman of the organization formed last Saturday.

HVG: A presidium, behind it a huge illuminated red sign "Welcome Participants of the Statutory Meeting!" As if one had blundered into a political meeting, or at least the

ceremonial meeting of a general consumer and marketing cooperative, rather than the statutory meeting of the National Association of Entrepreneurs last Saturday. Perhaps others felt the same way, and that is why they warned against the association's becoming what other associations have become. How can this be avoided, and what guarantees do you see for avoiding it?

P.S.: One guarantee is that the members do no want this to happen. They will be able to replace the leadership whenever they feel that it is not acting in accordance with their interests. We ourselves have provided built-in guarantees that enable the members to force their will on the presidium. For example, only 100 members are required to call a general meeting of members. That is very few if we consider that about a thousand members have joined at or before the statutory meeting. There was a proposal at the statutory meeting to enable merely 30 members to call a general meeting of members, but that would have been an exaggeration. It would have meant that, for example, a single business partnership could have called a general meeting of members if it were displeased with something. I regard as a guarantee also the direct election of the presidium, including the chairman. There was a proposal to replace the general meeting of members with a meeting of delegates, but in our opinion—and the statutory meeting agreed—this would have created yet another layer through which the members' views are filtered, and for which there is absolutely no need. But the most important guarantee, in my opinion, is the fact that in 40 years this is the first significant interest-representing organization to be formed at the grass roots, with so definite aims.

HVG: A specific provision of the statutes is that a coopted member of the presidium does not have a vote until he has been confirmed by the general meeting of members. In other words—as someone put it at the statutory meeting—a few people would be able to exert their will by loading the presidium with coopted members.

P.S.: The guarantee against this, in my opinion, is that the chairman and the members of the presidium serve without pay, their activity being voluntary public work.

HVG: You expounded this also at the statutory meeting. In my opinion, however, this is not a sufficient guarantee against actual control of the association by one or two people.

P.S.: We included this provision in the statutes because we felt that it would encourage holding a general meeting of members as soon as possible after the resignation of presidium members. But we should indeed consider modifying the statutes so that a general meeting of members would be called automatically whenever, say, only 30 percent of the elected presidium members remain in office.

HVG: Although many people hardly sense the distinction between the two words, the association is undertaking to represent interests, rather than to safeguard them. Several speakers at the statutory meeting noted their awareness of the fact that the safeguarding of interests cannot come into consideration, but even the representation of interests appears to be receding into the background. Had the safeguarding of interests not been considered even at the very beginning?

J.P.: No. Why, we had to fight even for the representation of interests. For example, we were ready with everything approximately by the end of 1986. The draft statutes, too, were ready, practically in their present version. We had to get them approved. The [official] opinion was that the draft statutes were good, indeed very good, and did not have to be redrafted. At most a word had to be deleted here and there, but not more than 10 or 15 words in all. The sentences could remain, but the words had to go. These were words such as representation of interests, independent relations with a foreign partner, the right to publish, and so on. In other words, it seemed that if we wrote that the association will act independently, then we were asked to say that the association will act. In the time that has elapsed since then, we have actually been trying to reinstate the 10 to 15 deleted words. By September of last year we reached the point where all but four or five of the deleted words were reinstated. Then we felt that time was on our side, and we could safely say that the statutes could not be imagined without those four or five words. I believe we can now say that we figured correctly.

HVG: Representation of interests is included in the statutes, but the government agencies' negotiating partner is actually the Hungarian Economic Chamber, rather than the association. This cannot be perceived by any means as something that improves the representation of interests.

P.S.: What we are striving for is direct participation in the preparation of decisions. What we have been able to achieve for the time being is that we get from the government, through the Hungarian Economic Chamber, for our comments all the material that pertains to small entrepreneurs, and we feed back our proposals to the government agencies partially through the Chamber. According to the preliminary negotiations, the Chamber will present our opinion even when it does not agree with the interests of the Chamber, meaning the interests of the large-scale enterprises. I do not claim that this is the best form of representing interests, nor do we want to preserve it. But I must admit that even this is better than nothing. After all, our opinion will be there, and we will also be able to act directly on behalf of our members' individual interests.

HVG: At the statutory meeting you were careful not to present as competition the fact that also artisans and retailers, for example, may join the association. They have an option nonetheless.

J.P.: Yes, but only in the sense that an artisan may elect to join also the association. He cannot resign from the KIOSZ. An artisan cannot obtain a license in Hungary unless he is a KIOSZ member. And an artisan cooperative must belong to the OKISZ [National Federation of Artisan Cooperatives]. Sometimes this rule holds true even when membership actually is not mandatory; in the case of taxi owners, for instance. Many of the local councils are under the misconception that a license may be issued only if the applicant is a KIOSZ member, and therefore they require KIOSZ membership also of taxi owners. That is why so many provincial taxi owners belong to the KIOSZ. But it does not bother us if some of our members belong also to the KIOSZ. The way we look at it, possible dual memberships mean dual votes. For if we are against something on behalf of our artisan members, and the KIOSZ is also against it, then at least two of us are opposing it, and our objective is the more likely to be achieved.

HVG: What, in your opinion, is the association's main advantage over earlier interest-representing organizations?

P.S.: First of all, that it has been organized from below. In other words, that the members have created their own organization of their own free will; that it has not been designated for them from above. Consequently, the members know what we want and do not have to fear we will attempt to smuggle into the association's resolutions the standpoint of the government, or even of one or two government officials. To tell you the truth, the confidence we are enjoying also implies the members' lack of confidence in the opportunities for the representation of interests up to now. I see nonetheless guarantees here to ensure that Hungarian entrepreneurs will always have an association and presidium which will unambiguously represent their interests. Otherwise the members can simply replace the leadership.

Nationalization of Small Cooperatives Feared

25000148 Budapest HETI VILAGGAZDASAG in Hungarian 27 Feb 88 p 6

[Article by Peter Szirmai: "Who Laughs Last?"]

[Text] "Are the small cooperatives being nationalized," inquires the reporter of the 168 Hours program. "No, that is not being considered at all," replies the representative of the Ministry of Finance. Since presumably we cannot doubt the sincerity of either side, we wonder what this misunderstanding, this radical difference in the interpretation of statutory regulations, stems from?

There can be no question of nationalization already because—if for no other reason—a clever chief accountant can raid before dissolution a small cooperative's assets account, and he is able to do so in full compliance with all the regulations. Furthermore, what would be left in the assets account would not devolve on the state but would be used by a cooperative, even if not by the collective that produced the assets.

Nonetheless, the small cooperatives keenly sense that these highly controversial regulations harbor the specter of nationalization. After all, the state is raising obstacles to the free use of the profit that the collective has earned and paid taxes on.

The difference in interpretation can be rectified easily. It is to be hoped that the regulators will modify the text, remaining true to their professed principles, and then the conflict will cease.

But something still makes me uneasy nonetheless: the fact that this dispute reflects mutual mistrust. The regulators forget that the issued regulations are applied not simply in the world of logical interpretation, but in a perceiving and (re-)interpreting social environment. And for this environment, the text has some significance beyond itself, its meaning expands. "We support small businesses," one may read in the official statement. But the readers nonetheless reason as follows: "They would not be maintaining and raising discriminatory taxes if they were truly supporting small businesses. We better watch out"!

"We are planning to retain businesses over the longer term," says the competent official. Yet the entrepreneurs fear the introduction of giro accounts. "This will only enable the [State Wage and Labor Affairs] Office to freeze our accounts," they say in alarm.

For even a statutory regulation such as the one governing the assets account—most elements of which were to be found already in earlier statutory regulations on cooperatives, only then nobody noticed them—has a different meaning and a different concealed meaning.

The Office's reflex to express its ambiguous wording specifically this way and not some other way is not accidental, and hence not innocent, either. After all, behind this wording there lies the ingrained habit of 40 years: everything must be regulated under socialism. And the entrepreneurs' hysterical reaction is likewise not accidental, and hence understandable, for it is backed by 30 to 40 years of experience.

The controversial passage in the statutory regulation can be corrected, but the gap between the two areas of interpretation can be narrowed only through organized, regular and calm dialogue between partners. There is great need for the words to mean the same thing on both sides.

Recent 'Destructive' Regulations Criticized

25000148 Budapest HETI VILAGGAZDASAG in Hungarian 27 Feb 88 p 7

[Article by Peter Szauer: "Expropriation?"]

[Text] For the past few weeks, the entrepreneurs in small co-ops have been complaining that they no longer need strive to add to their small co-ops' assets; to the contrary, new regulations specifically give them an incentive to distribute, or at least to conceal from the authorities, the accumulating profits of their entrepreneurship. This is already the beginning of the end, the sector's representatives have been fuming in recent weeks about the regulations which the public has simply dubbed the "nationalization" of the small cooperatives' assets: Decree of the Minister of Finance No 49/1987 (15 Oct), and Decree of the State Wage and Labor Affairs Office No 2/1988 (22 Feb).

"We regard these decrees as bad policy, conflicting with the consolidation program that the National Assembly has adopted, and outright harmful and destructive from the viewpoint of economic development," commented the leadership of one small cooperative in its letter to the minister of finance. And why do the small co-ops feel that they no longer have an incentive to accumulate assets?

To understand this, we must first acquaint ourselves with a few concepts of income regulation. From 1982 on, the year the first small co-ops could be formed, these organizations were able to place their profit after taxes into a "disposable assets account." As the name itself implies, at a later date the small co-ops could freely spend the assets in these accounts. For example, they could use the assets of their disposable accounts for investment, for welfare and cultural services, to offset losses or to supplement personal incomes; in other words, for bonuses, premiums and year-end profit-sharing. If a small co-op sold some machinery or building it owned, for instance, it could place the proceeds in the disposable assets account, and then freely spend them at a later date, within the limits specified by decrees. Thus in principle it could happen that the proceeds from the sale of a building were used to pay wages. Actually, of course, the exact opposite has been perceptible: instead of diminishing, the small co-ops' assets are growing very rapidly. Since their formation in 1982, the assets of some small co-ops have exceeded 100 million forints.

As of 1 January 1988, however, the earlier situation has changed in several respects: the disposable assets account has been replaced by a new concept, the uniform assets account. This year the small co-ops will already have to place their net profit in this account, together with the assets accumulated earlier in the disposable assets account, the proceeds from the sale of real estate, etc. However, the assets account created in this manner cannot be spent freely. The small co-op businesses object particularly to the following restrictions:

—Once the profit after taxes has been placed in the assets account, it can no longer be used for the personnel's remuneration;

—To cover the losses in an unprofitable year, the members of a small co-op must refund any payments they received in excess of minimum wages (3,000 forints a month), and only if the refunds are not enough to cover the losses may they tap their assets account. The managers of small cooperatives unanimously agree that, under normal business conditions, this should be the other way around;

—If a small co-op's profit falls short of the estimate, if it is, say, only 6 million forints instead of 10 million, but 10 million forints has already been paid out as advance on wages, then the members must refund the 4 million forints difference, despite the fact that the assets account would be sufficient to cover even a difference of several times 10 million forints.

Many small cooperatives agree that the raiding of their assets must be prevented. If for no other reason, because it can readily be imagined that none of the founding members will be in the small cooperative at the time of its liquidation.

But it is less comprehensible to these organizations, and fewer are willing to accept, why they are being forced to operate "free of assets," i.e., from day to day. In reply to HVG's query as to how the small cooperatives are reacting to the new regulations, we have received a flood of responses contrary to what the drafters of the regulations had in mind.

"The new regulations give preference to pursuing short-term interests and make impossible the further dynamic growth of small cooperatives," claims the chairman of the Microsystem Small Cooperative. The chairman of another small cooperative, Muszertechnika [Instrument Technology], declared that his firm immediately froze all investment projects. There was also a chairman of a small cooperative who told HVG that they would sell their existing buildings and machinery, then lease them back from a bank, and would simply distribute the profit among their members, leaving nothing to put into the assets account. This is possible in principle, because the deadline for preparing the balance sheets for 1987 is 15 March, and by then even hundreds of thousands could be distributed among the members. "We would do this very reluctantly, because in the longer term the small cooperative would not be viable without assets, and we would be unable to achieve specifically the very objectives for which the small cooperative was formed," emphasized the chairman of the Rolitron Small Cooperative. The larger small cooperatives—with turnovers in the billions,

they have already carved important niches for themselves in the market and are employing skillful chief accountants—are now figuring out ways to reconvert their assets accounts. Most of them have already found some solution. The chairman of the Controll Small Cooperative said: "Frankly speaking, I find it sad that the statutory regulations are forcing us to resort to complicated, but legally defensible, loopholes and tricks, instead of giving preference to a rational longer-term approach."

The flaring tempers in the past few days have compelled even the OKISZ, the small cooperatives' designated interest-representing organization, to come forth with a compromise solution. In particular, it is trying to achieve that the Ministry of Finance make more precise and revise, as soon as possible, the text of the decree on business tax. Furthermore, that the State Wage and Labor Affairs Office revise Section 4 of its decree, which bans the assets account's use for the remuneration of the personnel. The OKISZ is advocating the introduction of a so-called risk-fund account, into which the small cooperatives could allocate as much as they want, and which they could then use to supplement their profit after taxes or personal incomes. The National Association of Entrepreneurs likewise advocates supplementing from the assets account the current year's profit after taxes.

And, considering that a quick standpoint from the Ministry of Finance is absolutely essential in the situation that has evolved, what does this ministry have to say about making the text of the decree on business tax more precise?

The Ministry of Finance, it seems, is still unable to reach a definite standpoint. By the time we went to press, no senior official of the ministry was willing to make a statement on this matter, despite a series of calls from HVG. Thus we were informed only unofficially that the Council of Ministers would consider this issue last Monday. To the best of our knowledge, no decision has been reached.

1014

Budapest Conference Discusses Stock Exchange Prospects

25000147 Budapest HETI VILAGGAZDASAG in Hungarian 12 Mar 88 pp 4-7

[Article: "Stock Exchange Conference in Budapest: There Was One. There Isn't One Now. Will There Be One?" first paragraph is HETI VILAGGAZDASAG summary]

[Text] A Stock Exchange Conference was held in Budapest on 4-6 February, under the auspices of the Investment and Trading Subsidiary Bank and the Hungarian Stock Exchange Foundation. Although the conference did not make any recommendations, its message could perhaps be summed up as follows: let the Hungarian economy advance from its romantic period into the realm of reality, and let it make use of the experience of old standing that the market is the most efficient tool for the allocation of social capital. The experts attending the conference placed on its agenda numerous details of how commodity and securities exchanges operate, but the creation of a domestic capital market became the key issue that evoked the greatest response.

Any joke is new to a newborn. This is what the guests arriving from Western countries with established capital markets probably thought (but were too polite to their hosts to say so out loud) of the passion and commitment with which Hungarian experts at the conference late last week argued in support of the need to develop a domestic stock exchange, a securities market. If you will, it is an indirect critique of Hungary's socioeconomic development that, 12 years before the year 2000, many people in Hungary—practically with missionary zeal—are obliged to explain and "gain recognition of" economic facts about which entire libraries of special knowledge have accumulated over centuries in many places throughout the world. Naturally, this literature has not remained moot knowledge there. For as Andre Kostolany, the 82-year-old honorary chairman of the conference and renowned stock-exchange expert, noted in what was probably the least constrained lecture at the three-day event: "Regardless of what party they belonged to, clever politicians in Europe and America realized that they were supporting the economy by supporting the stock exchange."

On what grounds did they act in this manner? The more perfect a market, the stronger the tendency that, at any given time, the seller is able to obtain for his commodity the same price from any buyer in the market. Of course, a perfect market is a theoretical abstraction, but exchanges may be regarded as its closest approximations.

Exchanges are central markets; i.e., they concentrate supply and demand. What is traded in these markets may be grain or metal, money or credit, stocks or bonds, and many other things. We could go on and on with this listing, but perhaps this much will suffice to reveal what makes a commodity [or security] tradable on an exchange: it must lend itself to close standardization and have a mass turnover in the market. In the central market called an exchange, these scattered "tradable resources" appear in their concentrated form and are subjected to the very strict judgment of the marketplace. In other words, the exchange in this respect functions as a yarstick of economic performance.

The Hungarian conferees—they were mostly technocrats—nevertheless strived to convince one another of something about which everyone was essentially in agreement: that without an exchange this economy, too, would be doomed to stagnation. Was it due to the organizers or to the conference's topic that noticeably few of the government and party officials administering the economy were present? True, Deputy Prime Minister

Peter Medgyessy, a patron of the conference, did greet the conferees in a letter; but he had to be in the provinces just then, to attend the commissioning of an important plant.

Expounding that exchanges are influenced equally by economic processes and the phenomena of mass psychology, Andre Kostolany quoted Isaac Newton, a passionate player on the exchange, who said: "I am able to calculate the paths of heavenly bodies, but not the reactions of the public." However, from the unpredictability of exchanges it does not follow by any means that every development is clear and consistent in the absence of an exchange. This is what emerged from a lecture by Laszlo Antal, a staff member of the government's Planning and Economic Committee. He said: "In the market economy's variegated system of institutions the mass of public information has, in the final outcome, a stabilizing effect; whereas strictly centrally planned anarchy is possible even in a planned economy." Laszlo Antal pointed out: "The intensifying dysfunctions of the economy in the 1980's, the regularly recurring waves of enterprise indebtedness, have demonstrated that, by its very nature, the administrative decision-making mechanism is unsuitable for capital reallocation that would result in the capital's augmentation, instead of its consumption and squandering." He also emphasized that the myth of the "entrepreneurial state" must be abandoned, because the state's interest is specifically to smooth the conflicts, rather than to venture and assume risk. Because of this, the "to invest or disinvest" dilemma likewise cannot be solved administratively.

Later on Tamas Bacskai expressed the same idea as follows: "The state's visible hand is no substitute for the market's invisible hand." As the holder of equity, the administrative official allocates resources on ever-patient paper, based on technology, prestige or other considerations, and not necessarily on profitability. He always wondered, the professor of economics added, as to why the consistently unsuccessful apparatuses administering the economy were looking with suspicion at experts of the flow of capital.

The Hungarian banking system produced several innovations in recent years, but the capital market is not yet fulfilling by far its restructuring and economy-driving role, emphasized Laszlo Antal in his lecture. He identified the cause of this as the absence of the equity holders' motivation. It is an illusion, he said, to expect enterprise employees to have split personalities: to think simultaneously as wage earners and also as holders of equity. To make the holder of equity interested solely in the return on capital, it is necessary to separate his specialization and physical objective from those of the plant or enterprise. What we need, therefore, is essentially a reform of ownership relations, emphasized the staff member of the Planning and Economic Committee.

It was hardly surprising, yet the organizers seemed unprepared for what happened during the continuing discussions in the sections of the Stock Exchange Conference: practically to the very end, interested conferees jammed the narrow hall where the vivisection of Hungary's capital flow mechanism, of the securities [bond] market, was taking place. Furthermore, although much was said about securities-market techniques and proposals on ways to handle the transactions, the audience's mood became quite perceptibly ardent whenever the lectures arrived also at the "ultimate questions" of the economic conditions.

Lajos Bokros, deputy chief of a department within the Hungarian National Bank, took up the thread of joint deliberation where Laszlo Antal had left off—with the reform of ownership relations. But he deemed it necessary to emphasize: since the central bank had no official standpoint in the matter of a Hungarian stock exchange, he as a "simple" economist was expounding his own standpoint. "The institutional barriers to the formation of private capital must be dismantled (for additional capital in the long term can be expected only from the population's savings), and that capital must be cycled back into production," emphasized Lajos Bokros. New statutory regulations are necessary that will permit private individuals to hold equity in corporations. "It is common knowledge that ideological concerns—namely the fear of answering the question as to whether private capital can be the engine of economic growth in Hungary—are hampering further progress, and they cannot be swept aside," continued the speaker. "Such barriers have been restricting thinking for four decades, but today they no longer have to be obstacles to practical compromises. As one such compromise, Lajos Bokros proposed the founding of so-called holding companies, which would invest in various ventures the capital raised through the sale of their shares to the public. "In this way the individual would not become the direct owner of the means of production," the speaker believed. It is necessary to find the ultimate holder of equity who is interested in maximizing income in the longer term, emphasized Lajos Bokros. But the solution cannot be to let enterprises hold one another's shares. Administered as a fund, social insurance could play such a role, he said, reminding his audience that income centralized in the form of social insurance contributions has helped for decades to finance "socialist industrialization," the final outcome of which is sometimes evident in the present state of the ailing industries. That capital ought to be returned to society's management and control.

At the Stock Exchange Conference, Sandor Kopatsy characterized as "romantic socialism" that period of society's development in which many people were fostering the illusion that the same person could represent the owner, the operator, and the worker as well. "This romanticism still existed at the time of the 1968 reform. That is why the proposals which now seem new fell then on deaf ears," he added. Sandor Kopatsy recommended the following timetable: The present large enterprises ought to be converted into corporations within the next two or three years. In the absence of a mechanism for the objective valuation of assets, this would hardly be an easy task in Hungary today when—as the speaker put

it—the enterprises' balance sheets and reality are not even nodding acquaintances. Pension funds, which are to be reorganized by regions, trades and other attributes, and also other so-called institutional investors would acquire the issued shares, which they could then entrust to banks, for management, [re]investment, conservation and growth. Statutory regulations would specify how the banks could invest the money entrusted to their care; e.g., in real estate or securities. The investor organizations would be interested merely in which bank managed their money the most effectively.

While some speakers undertook to outline the future boldly and in detail, others—primarily the experts entrusted with operating Hungary's already functioning, small but dynamically growing securities market—spoke of their everyday problems. Had it not been raised, one would have almost missed the ceaseless and evergreen topic: the unpredictable changes in the system of regulation that hamstring the enterprises as well as the banks, and the widening gap of confidence between the economy's players and its administrators. The loopholes in the statutory regulations, and the shortage of trained personnel were also mentioned. Mostly the conferees familiar with what goes on behind the scenes were able to witness and understand also some minor clashes between the two rival banks that dominate the securities market.

1014

Fewer-Than-Expected Joint Ventures Established
25000150a Budapest MAGYAR NEMZET in Hungarian 29 Mar 88 p 3

[Text] When legal and fiscal conditions for the establishment and functioning of foreign capital joint ventures were changed and made easier on 1 January 1987, everyone thought that the flow of foreign capital to Hungary would begin shortly and that investments would mushroom one after another. Unfortunately, this is not the case. Despite an unquestionable domestic and foreign interest, the inclination to establish joint ventures has not reached the desired level. Joint ventures in the process of being established are capitalized at low levels, and the size of capital investments made in this form is negligible from the people's economy standpoint.

One reason for this lag may be found in the favorable change in external conditions. This seeming contradiction may be explained by the fact that since the changes in the Soviet Union and the opening of several socialist countries Hungary is no longer the only CEMA country which is able to serve as the "Eastern connection" for Western businessmen. On the other hand, domestic reasons carry an equal weight in this respect. Among these one finds that until now, Hungary had no institution which corresponds to the "investment boards" or "investment offices" in foreign countries, an institution aware of the economic needs and of the business considerations of international capital, one that would guide those who wish to invest in Hungary.

As of yesterday there exists such an institution. The establishment on Monday of the Foreign Investment Promotion Institute was announced at a Hungarian Economic Chamber press conference by Chamber vice chairman Jeno Zanyi. The Institute's purpose is to assist foreign investors by gathering and conveying information, and with advisory services and propaganda. A 13 member council is charged with the conceptual direction of the Institute, while an anticipated 5 to 6 member full-time expert staff, in the framework of a secretariat will perform the operational work. Annual funding for the Institute amounting to 10 to 12 million forints will be provided on a 50-50 basis by the Hungarian Economic Chamber and the Ministry of Finance. One of the reasons why the Chamber favored the idea of establishing the Institute was that foreigners taking their initial steps in seeking Hungarian connections would not be faced with various bureaucratic authorities as their case demands, but would gain their initial experiences from a social organization which represents enterprises. Services are free to those turning to the new organization. At this point all the Institute needs is a simpler, shorter name, one that can be remembered by everyone. For example: "Investment Guide." Because it is difficult to imagine that someone would say "Well, I'm going to pay a visit at the Foreign Investment Promotion Institute."

12995

Domestic Shortages To Impact on Agricultural Exports
25000163 Budapest FIGYELO in Hungarian 7 Apr 88 p 9

[Article by Dr Istvan Regoczi: "Agricultural Export: Is the Cupboard Bare?"]

[Text] Last year the Hungarian foodstuffs economy approximately fulfilled its ruble accounting export plan and the 1.3 billion dollar convertible export of the branch exceeded the actual figure for the preceding year and the figure planned for 1987.

The value of the convertible export performance is enhanced by the fact that grain export was considerably less than expected due to low yields. The picture includes the fact that the convertible import of the branch was also larger than planned, because more fodder grain and soy meal had to be imported due to the increase in stock and the drop in production caused by the unfavorable weather. This year's ruble accounting marketing possibilities of the foodstuffs economy will not expand—indeed they will decrease considerably for one or two products—so convertible export must be increased.

Unfortunately the status of the international foodstuffs markets this year gives no cause for optimism. The majority of the capitalist markets continue to be characterized by supply pressure and low prices. EEC agricultural protectionism continues strong and there is a subsidy war on the Near East and other markets. Only beef and grain are a somewhat unclouded part of the gloomy markets.

Packaging Is Important

The domestic conditions for the start of the year are also full of problems. Because of the weak production last year there will probably not be enough grain for export in the first half of the year and a shortage of goods also burdens meat industry deliveries. The economic environment and the tightening of the regulator system are forcing the producing enterprises to renovate their management and change their structure. There is increasing pressure to eliminate the most uneconomical activities.

Because of the relative saturation of the domestic market, the limited marketing possibilities of the socialist markets in a number of products and our increasing convertible export tasks it is a fundamental interest that the farms—preparing for flexible and swift market accomodation—develop production of those products and product groups which will be marketable and competitive on the capitalist markets over the longer run.

Improving competitiveness is already a task which must be constantly renewed in terms of both time and space. It is not enough to select products which have good quality in terms of internal content, they must also be delivered to a well selected circle of customers in time, in the packaging and variety demanded by the market, with circumspectly organized deliveries and with careful commercial work. Only by "serving" the market well—literally—can one increase export or even maintain the level achieved.

All this requires the close cooperation of the producing, purchasing and foreign trade organizations, creating their common interest. The joint enterprises formed by the larger producers and traders in the meat and poultry industries and, since 1 January, in the refrigeration industry should conduct foreign trade. Export associations called on to ensure joint action by producers and commercial organizations are operating in the export of, for example, dehydrated foods, rabbits, fish and wine. The canning factories are now seeking a more favorable form for coordinated foreign market action.

An Expensive Undertaking

Strengthening a more internal coordination, creating vertical integration in regard to foreign market possibilities, based on demand, transmitting these possibilities inward and activating the foreign trade enterprises in this direction are increasingly urgent because—as is well known—since 1 January foreign trade can be conducted individually for a broad sphere of products. Of course it can be presumed that a number of managing organizations desiring to make use of the independent rights will find this undertaking expensive. They may prefer to entrust it to a special foreign trade enterprise. In other cases it may be more advantageous if several farms producing similar products combine with one another and jointly create a marketing organization for independent action on foreign markets.

For the sake of being factual it must be noted at the same time that a number of foodstuffs economy products continue to be on the so-called exceptions list according to which the possibility for individual foreign trade does not apply to them. Today no enterprise is authorized to export some of these products. Putting some fresh fruits and vegetables on the export exceptions list now is not aimed at having single channel marketing in the relationships there designated. The trade authorities would merely like to see that only professionally prepared firms acquainted with the prescriptions there—one, for example, is the extraordinarily strict Common Market agricultural regulations—should work on these markets, because the smallest mistake made on these markets has an immediate limiting effect on Hungarian export as a whole.

There Is Nothing To Work With

In addition to the few more general external and internal factors influencing this year's foodstuffs economy exports mentioned so far the following facts characterize the status of the chief product groups.

For the reasons already mentioned it will be possible to export grain only from newly produced supplies, which requires extraordinarily well organized work for the second half of the year and the development of a detailed delivery schedule. At the same time, according to our information, some farms have withheld significant reserves for various reasons; the ability to mobilize these for export purposes would reduce the pressure burdening the second half of the year. For coming years it would be important to increase the ratio of corn within the sown area and to produce a determined quantity of durum wheat in accordance with some special customer demand.

The export of oil seeds and vegetable oil has developed very dynamically in recent years. It is a basic task, with the current large-scale industrial reconstruction, at least to keep up the value of this export in order to preserve our markets. Hopefully, following completion of the reconstruction, the vegetable oil industry will also be capable of processing the soy meal which will then be produced here in increasing quantities.

A shortage in all three main product groups of the meat branch makes it difficult to exploit the marketing possibilities. For years, for example, cattle stocks have been decreasing in a way which cannot be stopped and the

breed composition has been deteriorating also. This is a problem because in the meantime world market prices have moved from the nadir and prices are 20-30 percent higher than a year ago. Because of the shortage of the so-called prime beef cuts, for years we have not been able to exploit several thousand tons of market possibilities.

It is a warning sign that at the end of last year the domestic swine stocks were smaller than a year earlier by almost half a million units because of problems of profitability. Because pork deliveries at the beginning of the year fill valid private legal contracts, they got started only very slowly. Nor is the rate of making and selling cut-up pork satisfactory. It is essential that the meat industry enterprises substantially improve internal coordination—within their own joint enterprises—and strengthen contract discipline, realizing full execution of the decisions adopted jointly by them.

In the Absence of Demand

Unfortunately sheep stocks also decreased last year. It is to be hoped that this trend will be stopped in the near future. In the interest of strengthening foreign market information for and the immediate interest of the producers the organizational system for sheep export must be changed as well.

The poultry industry has no problem with production of slaughtered chickens, the determining factor. It is another question that for the time being nothing indicates that the extraordinarily depressed market situation might ease at all, indeed the subsidy competition is strengthening further, if that is possible. Under such circumstances it is justified to produce at most an export goods base of a size equal to that of last year. It is possible to increase production of only a few so-called seasonal poultry types (e.g. geese and turkeys), and even there only in quantities and qualities strictly conforming to market demand.

In the fruit and vegetable sector the Soviet market possibility is narrowing for a number of fresh and preserved products this year (e.g. eating apples and some canned vegetables). Greater care must be turned also to satisfying the increasing quality demands of the socialist partners. And we must preserve the significant rate of increase experienced in recent years in convertible export. To do this it is essential that we have selective product and market development, strengthening long-range partner contacts domestically and abroad, ensuring evenly good quality and significantly improving the presentability of preserved goods.

Better coordination among exporters could strengthen our market reliability and could increase sales receipts. Within this product group, according to market indicators, the most dynamic demand can be expected still for deep frozen products. It is to be hoped that a strengthening of the external market orientation of producers and the change which has taken place in the export organization of the refrigeration industry enterprises will aid an increase in export in accordance with the marketing possibilities.

Minor Items

The lasting change in the external and internal markets ever more strongly urges a complex review of the status of the wine branch—including a review of settlement policy. This year the Soviet delivery possibilities for wine and champagne will not reach even half of last year's and we must reckon with the lasting survival of this trend. Domestic wine consumption has fallen significantly as well. Because of our own weaknesses and the still depressed market situation it has not been possible to make progress in convertible wine export for years. In order to change this it is important to strengthen the so-called origin protection of wines, increase the ratio of bottled wines, improve internal coordination and, naturally, increase the level of external market work.

A trend which could be observed for several years and which indicates the direction for the future also is that products which earlier counted as so-called minor items have an ever greater role in the convertible export of the foodstuffs economy; the export of these products already represents a significant value. The export of feathers, rabbits, game, goose liver, planting seeds, bird seed, table peas, honey and edible snails last year brought the country an income of more than 220 million dollars altogether. Since the larger part of such products satisfies special demands the conditions for getting them to market are generally easier, so dealing with them and discovering new possibilities is of increasing significance from the viewpoint of the export performance of the entire branch.

8984

POLAND

SD, Centrosojuz Sign Small-Scale Manufacturing Agreement

26000256a Warsaw RZECZPOSPOLITA in Polish 24 Feb 88 p 6

[Text] (Own source) On the second day (23rd of this month) of the Central Union of Cooperative Associations "Centrosojuz" delegations stay in our country, which arrived at the invitation of T.W. Mlynczak, chairman of the SD Central Committee, an official agreement was signed in Warsaw with regard to coproduction during 1988-1989 between "Centrosojuz" and the Democratic Party [SD].

It [agreement] constitutes the concretization of decisions ratified in the agreement of July of last year whereby, among other things, the exchange of experience and delegations is envisaged as well as the support and patronage of a direct commodities exchange between

Polish small-scale manufacturing and trade-craft units, and organizations and enterprises belonging to "Centrosojuz." The document was signed by the SD Central Committee chairman, Tadeusz W. Mlynczak, and by the chairman of the board of "Centrosojuz," P.S. Fiedirko.

"What concrete results may be expected from this agreement," asked the RZECPOSPOLITA reporter.

[P.S. Fiedirko] We intend to intensify our contacts both with the Democratic Party and with small-scale manufacturing and trade-craft organizations as well as with cooperatives which, as we all know, this party [SD] patronizes. We are planning a direct exchange of commodities and trade cooperation. This is in keeping with the draft plan of a new act on cooperatives, which after being discussed by the Central Committee of the CPSU [Communist Party of the Soviet Union], was sent for social approval. It appears that this legal act will increase the rights of members of cooperatives, i.e., it will encourage greater initiative. This would mean that the agreement signed today promotes such endeavors.

[T.W. Mlynczak] In the most highly industrialized countries of the world, the share of small-scale manufacturing in the economy is at 50 percent and is showing a rising trend whereas in our country, unfortunately, it amounts to barely 12 percent. These figures speak for themselves and indirectly explain the hopes that both sides are setting on this agreement. There are a lot of possibilities here. I will, therefore, say only by way of example that during the current visit, our guests have become interested in the joint dressing of skins whereby our craftsmen would tan them whereas the Soviet side would pay for this service with, among other things, ready goods. There are also proposals of joint capital ventures as, for example, the "Denpol" enterprise which would in agreement with their Soviet partner place in operation a vegetable and fruit processing plant in the area of Tarnopol. In my opinion, of greatest importance here is that in this way we are acting in accordance with the spirit of the economic reform and restructuring. In other words, we are striving to obtain maximum results in the economy of both countries.

9853/12232

Tail-Plane Production for Soviet Passenger Planes

26000256c Warsaw RZECZPOSPOLITA in Polish 2 Mar 88 p 6

[Text] In the PZL [Polish Aviation Plant] Transportation Equipment Plant in Mielec, the first set of tail planes for the newest Soviet passenger planes—the "IL 96-300" has already been completed.

Packed in containers, it is waiting to be shipped upon the preparation of a railway route between Poland and the USSR. These tail planes have larger dimensions than those which have been manufactured earlier in Mielce for the "IL-86" planes: wingspan measuring 57.7 meters, 55.3 meters in length, and 17.6 meters in height.

The coproduction of the elements for the new wide-body "IL 96-300" passenger plane, which will be manufactured in the USSR in the very near future, was begun by the Polish aircraft industry as a result of an intergovernmental agreement signed on 29 January of this year. On the Polish side, PZL transportation equipment plants in Mielce, Swidnik and Kalisz are taking part in the coproduction.

In accordance with the agreement, we are to provide the aircraft plants in Voronez with 100 tail plane assembly sets by the year 2000. It is anticipated that the "IL 96-300" planes, which are intended for distant flight routes (11,000 km range) of primarily Atlantic connections, will also find their way to the PLL [Polish Air Lines] LOT fleet.

9853/12232

Internal Trade, Provision Situation Decried

26000256b Warsaw ZYCIE WARSZAWY in Polish 4 Mar 88 p 3

[Interview with Marek Zabrzeski, director, Association of Internal Trade Enterprises, by Krystyna Gasiorowska]

[Text]

[Interviewer] I wish to congratulate you on being chosen head of the association, although, to be its director today is a precarious matter because the association is voluntary in character and may at any moment cease to exist and then...

[Marek Zabrzeski] Then, I will find another job. After all, I have a concrete profession. For the time being, however, I believe that I can play some sort of positive role in the association and that is why I had decided to run for its director.

[Question] You have your whole life ahead of you. At 36—this is the height of a professional career for a man...

[Answer] More like a struggle because that is how work in the trade sector may be described today. It is based primarily on interventions in ministries and negotiations with producers. Of course, I always act in the name of all businessmen and for the good of consumers-clients.

[Interviewer] You are being accused that as an association you form a monopoly.

[Answer] What monopoly? We simple constitute an agency of state trade. Members of cooperatives have such agencies in the form of "Samopomoc Chlopska" [Peasant Mutual Aid] and "Spolem." Why then, should businessmen representing state enterprises not have

them also? As for monopolistic tendencies, which are unfavorable to the market, I would say that they are created by the manufacturing of, for example, washing machines, refrigerators, tourist gear, furniture, etc. Dozens of trade representatives line up in front of their doors begging for merchandise. The producers-manufacturers dictate conditions and even set profit margins. It does happen that they grant them [profit margins] according to their own whims, e.g., to those tradespeople who came to them first they give a profit margin of a dozen or so percent whereas the last ones to come receive only several percent.

[Question] And the business agents agree to such lawlessness?

[Answer] What are they supposed to do business with? After all, you are fully aware of the fact that the supply situation in the country is becoming increasingly worse. An obvious example are sporting goods. In 1979, the national industry produced, for example, 164,000 tents for the market whereas presently—15,000. The situation is similar with skis, bindings, knapsacks, etc. Actually, it may be said that the only thing that industry is capable of doing is raising prices. I do not want to say there that they should not rise along with production costs, because that is fully understandable, but production itself should also increase.

[Question] You don't mean to say, I should think, that your principal task is to stand guard over prices. Currently, that is the role of Treasury Departments.

[Answer] We must also watch over prices. However, in point of fact, this is not our main task, although, I will say with cynicism something which everyone knows: there are goods whose demand is so great that even if the producers were to place ceiling high prices on them they would still sell like hotcakes, e.g., color television sets, tents, children's bicycles, freezers, etc.

The most important role of our association is to acquire goods on terms favorable to commerce. Our enterprises must make a living off something. At trade fairs, we often negotiate profit margins and prices in their behalf. We stamp a veto when producers impose unfavorable contract terms on businessmen, e.g., when they reduce the profit margins and take a part of them for themselves, when they make them go to factories for the goods, and when they do not give the exact style of color scheme of the produced goods.

[Answer] You profess the principle that in unity there is strength, although, I have observed at trade fairs and auctions that your efforts are not always effective.

[Answer] Thus, in this way you have answered your own question: how effective are the efforts of individual businessmen. Producers simply do not want to talk to many small-time buyers. In these times of reforms and for advanced independence, they may sell to whomever they wish. But does this mean that the resident of Siedlce or Radom will have to go to Warsaw, Katowice or the Trojmiasto area to buy shoes because industry has sold its goods only to those business agents? Nonetheless, we must be watchful so that goods supplies are distributed throughout the entire country and not just in three or four cities.

[Question] No need to get upset. I also become irritated at times at this fencing with the banner of independence under the guise of reform in a situation when this independence is nothing more than high-handedness. After all, we all know that the reform is a phenomenon of gradual and positive metamorphosis and not of acting at any cost whatsoever for one's own benefit under its shield. In any case, the fact that your association has survived and continues to have a raison d'etre despite having turned over particular trade enterprises to the managing authority of provincial governors also indicates that not all changes have to occur suddenly.

[Answer] I must tell you that not one provincial trade enterprise has expressed the desire to leave the association because for the time being, it is for them the only mainstay and not the governors. In the association, we create a bank of information for enterprises; we provide them with advice and assistance. The governors also come to us for a variety of information on commodity turnover and the economics of trade, and the applicable binding rules and regulations. The Ministry of the Domestic Market also uses our information. After all, reporting with regard to the balancing of needs of the market and the potential of satisfying them... Our association fulfills this function.

[Question] Where to you obtain the funds to continue functioning?

[Answer] From voluntary contributions of all member enterprises. The resolution of the Association Council made of the 74 directors and the same number of work councils is the determinant of our activity. I must say here that our association, as one of few, carries on independent economic activity through its four establishments: "Protim-Otex," "Hapis," "Dom-Serwis," and "Techom." The latter establishment is engaged in the production of alarm devices for stores and private living quarters and is not doing badly. The first three establishments make a living primarily off of imports and more specifically from commissions on transacted prices when purchasing foreign goods. The national budget also profits from this. Sixty percent of the different between transacted and retail prices is allocated to the budget and 40 percent remains at the disposal of the trade sector. A part of this is deposited into the Market Development Fund and the rest comes back to the associated trade enterprises and is turned over to the business risk and discount fund (primarily on domestic goods).

[Question] Do you not think that these establishments could break away from the association and take up independent activity?

[Answer] No, because they are the property of the associated enterprises. They were brought out at one time from the domestic market minister whereas as head of the association, I can dismiss the directors of these enterprises at any time, of course if the situation warrants this.

[Question] You are, therefore, an opponent of the independent functioning of these establishments?

[Answer] In the current difficult market situation, the establishments must comply with the general policy of the association. On the other hand, I am in favor of independence in carrying on foreign trade not only by these establishments but also by strong provincial trade enterprises. In any case, many of them have recently applied to the minister of domestic trade for a license for independent commodity exchange. This would constitute considerable competition for foreign trade centers which are overly monopolized and do not always import goods on the most favorable terms.

[Question] I believe that business agents are still insufficiently independent. So much is being said about low margins of profit and the impoverished state of trade as a result of this. Why do they [business agents] not want to, for example, negotiate sale prices with industry and manipulate the margin for greater profits?

[Answer] I want to tell you this: if the product is good, industry does not want to sell it at the selling price because it is afraid that the trade sector will make too much. If the product is poor, then in turn the business agents do want to take the risk. Both sides are afraid.

[Question] What is your solution for reducing this impoverished state of trade?

[Answer] A solution to this would be considerably higher profit margins negotiated together with the producers. After all, margins of our means of existence. From them, we pay salaries and taxes, we service bank credit, and absorb various costs. In our country, margins amount to an average of 12.5 percent (25 percent in the GDR, and 100 percent or more in Western countries). Profits from these margins are 1.75 percent. From this, we also pay as much as 65 percent in income tax. Not much remains for worker development bonuses. That is why the trade industry is not growing and remuneration in it is low. Greater daring in negotiating margins is what can save trade. Besides this, we must acquire goods wherever possible, fight for licenses to carry on foreign trade, and of course, enter into any possible joint ventures with producers to increase the flow of goods to the marketplace. In any case, I must say that every WPHW [Provincial Domestic Trade Enterprise] is already conducting cottage-work production whereas the designs are provided for them by "Protim-Otex." Recently, together with producers we have been financing the construction of a spinning mill in Lodz in order to have more finished products in stores.

In the light of the rules and regulations currently in effect, every strategy is permissible. The only thing is for the trade agents to be more daring.

9853/12232

Economic Restructuring Timetable Deemed Unrealistic

26000298 Warsaw POLITYKA-EKSPORT-IMPORT in Polish No 6, Mar 88 p 19

[Article by Dr habilitatus Jozef Bobek: "Let's Not Believe in Magic Numbers"]

[Text] It is difficult to resist the feeling that in our economy, the numeral 3 has become a magic number. During the period of the serious economic collapse, a 3-year plan of coming out of the crisis was adopted. At the beginning of the reform, the elimination of state control over the financial factors of production and foreign exchange during the 3-year period was announced.

According to economic logic, this was tantamount to the proclaiming of the creation of a producer goods market where the distribution of funds was carried out according to the principle of their most efficient use.

Today, after the lapse of more than 6 years from the start of the reform, we can see that neither the model of economic functioning has been reconstructed more expressly in the spirit of these solutions nor has the state of the economy improved enough to be able to speak of creating permanent bases for economic growth. A nearly common awareness of this lay, undoubtedly, at the basis for the decision to start the second phase of the reform. New economic mechanisms have to develop in it; technological renewal and changes in the economy's structure must take place. This requires large outlays. Thus, a certain period awaits us again in which restrictions or even consumer sacrifices will be necessary. They have been announced in advantage. How long are the supposed to last, however? According to the official proposal—2 or 3 years. Again the magic numeral 3. This must arouse numerous doubts.

Let us give thought to where the theory came from that the restructuring of the economy (including its model of functioning) will require only a 3-year period of hardships. Some of the determining factors of such an argument perhaps lie in the economic events of some 40 years ago. At that time, i.e., at the end of the 1940's we were successful in implementing the 3-year plan of rebuilding the country from the ravages of war. The memory of the transformations of those days remains alive in decision-making spheres and is conducive—it

would seem—to the conviction that the rebuilding of the economy in every period and, therefore, also today may be implemented (at least as far as its crucial phase is concerned) within several years.

Besides this, it is part of human nature—not excluding decision-makers at all levels—to minimize in certain situations unpleasantness associated with overcoming difficulties. The greater the reluctance of society to make sacrifices, the greater the inclination of the decisionmaking spheres to succumb to self-deception and assume that the trial period can be shortened to a minimum. This, of course, brings a certain advantage in the form of a bit of mental comfort but very briefly.

Let us, therefore, give calculated thought to how long, in effect, the period of sacrifice will have to be to which society, regardless of its consumer aspirations, must agree under the threat of the appearance of the in time irreversible erosion of the foundations of long-term development. And even though, it is impossible to give an unequivocal answer to this question—at least within the confines of this article—it is, however, possible to attempt to formulate several of its premises.

The duration of the period of question here as well as the scale of sacrifices will define various factors pertaining both to the economy and to human attitudes and behavior. The following, above all, belong to the first group: well-advanced decapitalization of the economy; its technological-structural outdatedness and high degree of monopolization; and finally, minute participation that takes on unfavorable forms in the international division of labor. On the other hand, reluctance to submit to pressure for greater productivity belongs, above all, to the second group. The lack of initiative and innovative energy, poor work ethics, and an inclination of egalitarianism in the area of income should also be mentioned.

Scope of Sacrifice

The first group of factors means that the cost of modernizing the economy will be very high. The second group's factors will prolong the period after which the effects of the reform will appear with greater intensity.

The most serious problem is decapitalization. It may be argued whether the actual expenditure of production-type fixed assets is in the 50 percent range or whether it is closer to 60 percent. The second amount seems more probable. Because of the outdatedness of production structures a significant portion of fixed assets is, regardless of the degree of their depreciation, assets in name only. The real modernization of production would require the withdrawal of a good deal of machinery and equipment from use. This would raise the cost of modernizing the economy significantly beyond the level which follows from official data about the state of decapitalization. By the same token, the period of intensified investment efforts will be prolonged. This intensified investment period will be implemented by the power of logic, the laws of balancing, and at the expense of consumption.

In assessing the economy's future investment load, the very high level of capital intensiveness in Poland should also be taken into account. Even if the outlays will be allocated for the most productive areas of the economy and the most technologically efficient equipment, capital intensiveness will not decrease right away. On the contrary, it may even rise for a certain period of time. Outlays will be directed not for obtaining increased production potential but for the replacement of outdated components with modern ones.

Despite the fact that the share of investment capital in the national income amounted to 24-25 percent in recent years, at the current level of capital intensiveness the economy is capable of regenerating only slightly more than 3 percent of the total amount of assets and a little over 5 percent of fixed assets (machinery and equipment). Consequently, the period required for complete renewal comes to approximately 30 years and 17 to 19 years respectively. Meanwhile, owing to technological progress in the world, new models of the production apparatus are being introduced at 6-to-8-year intervals. Of course, no country takes in all innovations. Therefore, the average replacement cycle is longer but not to the extent as in Poland. Maintaining the country's current cycle or shortening it only in proportion to the increase in efficiency of investment processes would have serious consequences.

Even if it were possible to prevent growing decapitalization, we would surely not succeed in gradually reducing the technological gap which separates our country from not only the countries of the West but even from numerous recently industrialized countries. However, if the proexport strategy estimated to help Poland occupy a worthy place in the international division of labor were to succeed, then this gap would have to decrease. For a long period of time now, technological progress has been the deciding factor for a country's position on world markets. Also for a long time, price competition has been giving way to quality.

Thus, if Poland is to keep pace with this competition, it must modernize quickly its manufacturing apparatus and production structure. In view of the enormous delays, which began to grow as early as at the end of the 1970's, the rate of modernization would have to be decidedly quicker than that maintained by our current and potential competitors.

Therefore, something incomparably more must come into play than just the constant restraining of every increasing decapitalization. However, this "something more" cannot be achieved if the economy is not weighed down with considerable capital investments for a long

period of time. Increased investments will turn out to be necessary even if changes in economic policy and the reconstruction of the model of economic functioning will in time allow to raise their effectiveness.

Someone may say at this point that the encumbrance of the national income with cost accumulations is already quite steep because it is to the order of 32-33 percent of its gross value. A part of the cost accumulations are made up, however, of that which is officially called the material increase of turnover funds. This part constitutes approximately 7 to 8 percent of the gross national income. If the name were to reflect the substance, then these increases would have to be considered exorbitantly high. Their equivalents in the West make up only approximately 0.5 to 0.9 percent of the national income. This comparison by itself dictates caution in the unequivocal qualifying of this position of the country's national income as a possible source of investment growth.

Meanwhile, the share of investments alone in the national income maintaining itself at the same level for years should be recognized as relatively low. In comparison with the West and in gross terms (including also nonmaterial services), the average share of capital investments between 1981 and 1986 came to not quite 21 percent. Admittedly, this is an index 3 points higher than its equivalent (from the same period) in the economies of the U.S., Great Britain and that of other Western countries but at the same time, 4 to 7 points lower than that commonly occurring in the West (outside of the U.S. and Great Britain) for several postwar decades.

Poor Start

The current investment load of our national budget is much lower than that which was a part of an entire group of countries (e.g. Norway, Finland, Japan, South Korea, etc.) which, in wishing to reduce the development gap separating them from the industrial leaders in the West, maintained this index for years even at a level of 30 to 38 percent. And yet, the economic model was in operation in all those countries which in not allowing wastefulness in the area of outlays, assured them higher efficiency.

However, even the most carefully conducted historical-geographical analogies will not provide us with an answer to the question of what kind of investment liability (and at what time) is indispensable to the modernization of our economy. At no time during the postwar years has the delay in the development of the economy of any country belonging to our cultural sphere been as enormous as that currently experienced in Poland. Despite differences in the economic condition of countries that have emerged from the war, none of them has had in comparison with the world's leading countries such an unfortunate point of departure with regard to the export game as Poland has currently. During that time, traditional technologies and methods dominated everywhere. Also everywhere, besides only a few countries (U.S., Sweden and Switzerland) the dominant position was occupied by traditional economic fields.

However, currently the newest generations of technology and methods dominate in the West whereas the most important role in exports and economic development is played by production fields which have appeared owing to technological progress of the last several decades. Exports also have an important meaning everywhere for the shaping of the economic structure.

Meanwhile, Poland has maintained a decided dominance in traditional areas at the same time allowing for the manufacturing apparatus to become outdated and worn not only in physical terms but also in terms of depreciation. It has also not progressed in creating export specializations which would distinguish themselves with a positive relationship between outlays and effects. Therefore, it has not been able to occupy a dominant enough position even in a small area of the world market of modern products to be able to make its [world market] other participants dependent upon it [Poland] to at least a small degree. Essentially, our country is functioning primarily on the sidelines of the international division of labor. And only all of this together and not only the formal statistical indexes of fixed assets depreciation constitute the measure of a country's civilization backwardness. At the same time, it depicts the extent of efforts that must be exerted both by the economy and society during a period considerably longer than several years.

Therefore, for Poland not to allow for the continuation of its marginal role in the international division of labor and not to lose its prospects for development, it would have to impose upon itself at least the same rate of pursuit as several of the above mentioned Western countries. Assuming a successful economic reform, i.e., the attainment of a level of effectiveness similar to that of those countries, we would still have to take longer in making up our delays because they are greater. Longer—realistically speaking this means at least a dozen or so years. And even with a propitious arrangement of all the other factors, both internal and external, that is how long the period of consumer sacrifices would have to last. Only the period of severe consumer restrictions could be markedly shorter. A period of resuming the current consumption level would have to follow it and only then, a period of its rapid growth. The acceptance of any other thesis would denote waiting for a miracle.

Sacrifices Will Not Suffice

On the other hand, it is possible to count on the significant rise in the economy's efficiency. However, it would have to be attained through the thorough reconstruction of its model of functioning as well as substantial changes in economic policy. Without this, not only consumer sacrifices but also the capital investment load up to this point would not give the required and awaited results.

However, increased efficiency will not occur right away. Changes in the economic model require time. There is no such reformer that could immediately give the economic mechanisms such a structure and the parameters of management such values that would permit the complicated economic system to begin functioning efficiently and at once.

Quite a lot of time must also pass before the public learns the new rules of the game. The habit of complying with orders and allotments must give way to choosing according to the rules of the economic account.

Acquiring the ability to make the right choice under uncertain conditions is not a question of a year or two. It is a difficult art which determines the very substance of initiative which was, after all, eliminated from economic life by every means for entire decades. Therefore, a decisive majority of decisionmakers and manufacturers must learn it nearly from the beginning.

Activities intended to promote efficiency will not succeed right away either. The current excessive weakening of the protective role of the state and the new principles of wages and employment policies will, undoubtedly, be of great benefit but they will not be capable of changing everything, and particularly not right away.

Long-term difficulties arising from the considerable degree of the economy's monopolization should also be expected. The likely withdrawal of support, which is still offered by the authorities to monopolistic structures (associations, joint ventures, etc.), is not everything. Numerous enterprises that occupy monopolistic positions will remain operating for a long time to come. They will remain quite insensitive to pressure for better management until the time of greater progress in the structural reconstruction of the economy and its more radical opening up to foreign countries. They will succumb to the pressure to a greater degree only after the creation of internal and external competitiveness.

If the economy were to really be subjected to accelerated modernization, then the export industry—besides taking care of the debt repayment—would have to provide funds for the considerable importing of technology. However, the domestic industry of capital goods must undergo modernization itself. Unfortunately, export efficiency will remain low for a long time, i.e., until the time of graining greater progress in rebuilding the economy. But factors associated with foreign trade, i.e., the necessity of obtaining large amounts of foreign exchange and the high cost of acquiring it will have a negative bearing on consumption (not to mention our debt) during the initial phases of modernization. Both factors will force the withdrawal of large amounts of goods from the domestic market and, therefore, the limiting of consumption.

The arrangement of the factors could be more favorable only on condition that Poland secures multibillion dollars foreign loans and the concurrent inflow of foreign production capital.

9853/9274

YUGOSLAVIA

Radical Changes in Economic Policy, Administration Asked

28000103 Zagreb START in Serbo-Croatian 5 Mar 88 pp 62-66

[Article by Cedo Zic: "Anatomy of the Yugoslav Crisis"]

[Text] The causes of the present crisis run deep, back to 1985 when the conspiracy was formed which has successfully, though not maliciously, carried out a subversion of the economic policy of getting back to economic laws. At that time a broad, but professionally shallow coalition set down the foundations of the doctrine of programmed inflation and set up the present government, which in mid-1986 made most of the moves which stated the doctrine in operational terms and thereby effectively returned the economy to zero growth rates of production and exports.

In May and June 1986 the Federal Executive Council abandoned a realistic policy for the dinar's exchange rate, withdrew from real positive interest rates on dinar deposits, and infused a large amount of money into the Yugoslav economic mechanism.

Between June 1986 and February 1987 retail prices rose 4.2 percent faster than the exchange rate of the dinar against the West German mark and 25.4 percent faster than the dinar's exchange rate against the U.S. dollar.

In comparison with May of 1983, when the exchange rate in effect was the one that brought about the largest expansion of exports over the last 7 years (which occurred in 1984), retail prices have risen 4.3 percent faster than the exchange rate of the dinar against the mark and 45.7 percent faster than the dinar's exchange rate against the dollar. For shipbuilding, say, which builds its exports in dollars and at world prices, with no protection from our own administration measures, this means that the dinar, given the current maintenance of the present "real" exchange rate, would have to be devalued 45.7 percent in one jump for it to be able to function under the same conditions that prevailed in 83-84. Since February 1987 average monthly rates of depreciation of the dinar against the mark and the dollar have been keeping pace with monthly growth rates of retail prices, and the official conclusion was reached to conduct a real policy concerning the exchange rate, and thus it seems enough for the dinar not to depreciate less than the growth of domestic prices over a period of 3 months to guarantee the legitimacy of the policy of the "real" exchange rate of the dinar. The consequence of

that quasi-policy of a quasi-real exchange rate of the dinar is the stagnation or decline of exports in all the years since 1980 except for 1984, as we have mentioned. Over that same period countries with much larger exports than ours have managed to appreciably increase their share of total world exports: Japan from 7 to 11 percent, western Europe from 42 to 46 percent, and the group of newly industrialized countries (Brazil, Mexico, South Korea, Hong Kong, Singapore, and Taiwan) from 6 to 9 percent, with a 6-year growth of exports amounting to 56 percent. After a drop in its exports from 12 to 11 percent of world exports, since the beginning of 1985 the United States has devalued the dollar in real terms 50 percent against the principal convertible currencies, so that its production costs of a ton of steel, for example, are now $50 lower than in Japan.

In 1987 exports of goods other than ships to the convertible area, instead of taking off at an annual rate of 12 percent, have persistently and predictably stagnated. For the reason mentioned related to the exchange rate, excessive domestic consumption in the 1st half of 1987 made its contribution to the stagnation of exports. Its effect was dual: in the first phase it absorbs goods intended for the export market, at the same time discouraging the export orientation of the economy, which finds it easier to realize its income on the domestic market, and thereby directly detracts from the growth rates of exports, while in the second phase, because of the absence of the inflow of foreign exchange used to finance imports it drives down the growth rates of production, especially production for export, in view of the high share of import content of export articles, because of the inadequate supply of imported production supplies.

The genesis of that sudden increase in domestic consumption lies in the measures of monetary expansion and lowering of interest rates carried out in mid-1986, as we have mentioned. Given the present institutional environment and the agreed regulation of the distribution of income and personal incomes, the rapid expansion of the money supply has a direct impact toward a growth of personal incomes, which has been manifested several times since 1980, since payments of personal incomes are sensitive to (un)restrictive monetary policy and financial (un)discipline, but they are not sensitive to the starting levels and other instruments of the Agreement on Income. Thus total incomes paid out in December 1986 were 22.7 percent higher in real terms than a year earlier, and that when the rise of labor productivity in 1986 was 0.4 percent. Thus the high level of personal incomes could not be immediately driven down, and the relatively high payments were held until February, but because of their exceptional size, personal incomes from the end of 1986 had not yet been spent, so that the excessive purchasing power of the population was carried over into 1987.

In January the Croatian population had in its hands an additional 220 billion dinars received in interest on dinar and foreign exchange savings. That problem—and it is a problem because official policy did not take into account that when more income is committed to capital in distribution, there must at the same time be a decrease in the amount committed to labor so as to avoid disruptions in consumption—did not exist up to the day when interest rates on foreign exchange savings began to be paid in dinars and until interest rates on dinar savings began to keep pace with inflation, while after that it was solved by the high rates of interest on time savings deposits, whereby income from interest was channeled into the banking system and from there into spending on capital investments. However, with the change in interest rate policy in keeping with programmed inflation, dinar savings were destroyed, and foreign exchange savings followed it, so that all of this immense volume of effective demand came on the market searching for goods—at that time the mark was being purchased unofficially at 40 percent above the exchange rate, which is twice as large a margin as ever recorded before. Our exporters were unable to withstand this pressure of purchasers, and the goods ended up on the domestic market, retail price indices, though gradually dropping, maintained a relatively high level up until the summer of 1987, and exports of goods other than ships (for which there were no customers on the domestic market) stagnated.

Exports to the convertible market in 1987, thanks to the exports of ships, changes between currencies, and improvement of the terms of trade were 19.6 percent larger in dollar terms than in 1986; at the same time, collection for goods exported for cash and on credit was down 96 percent. This small inflow of foreign exchange is a consequence of the uninterrupted application of Article 110 of the Law on Foreign Exchange Transactions ever since it took effect. This article was envisaged only for exceptional situations and was not equipped with a set of instruments so that it would be adequate for long-term conduct of foreign exchange policy. This inappropriateness is manifested in the abandonment in practice of the normativism embodied in the article itself in connection with the setting of daily quotas and establishment of exceptions, so that for all practical purposes the Law and its Article 110 were abandoned on behalf of total administrative control of foreign exchange. Since we in the Assembly adopted the Law on Foreign Exchange Transactions, but not Article 110, it is high time that the law be applied or amended.

In view of the utter uncertainty as to whether it is possible to purchase foreign currencies once they have been relinquished, it is natural to expect business entities to resort to specific deals of industrial cooperation, compensation, and local border traffic (which constitute 29 percent of commodity exports to the convertible area over the first 9 months) in order to guarantee minimum imports to meet their needs in reproduction. In the existing foreign exchange system the stagnation of real exports turns into a decline of the inflow of foreign exchange, and this, once the fixed repayments of principal have been made, interest has been paid, and obligations discharged to the National Bank of Yugoslavia, has

been driving the banks into foreign exchange illiquidity, and this was particularly pronounced in June and July of this year.

As a consequence, instead of the sequence growth of exports—growth of inflow of foreign exchange—growth of imports—growth of production, we have a new version: growth of consumption—stagnation of exports—decline of the inflow of foreign exchange—decline of imports—drop in production. That is exactly what happened in 1987. Inventories of imported raw materials have been shrinking since back in October 1986, and in December they were 14.4 percent smaller than a year earlier, and over all of 1987 they were 25.4 percent smaller than in the previous year. Further, this brought about a 12.1-percent decline in the consumption of imported raw materials in industrial production between December 1986 and December 1987.

Yet another factor has essentially influenced the drop in industrial production and the slowdown of all economic activities in SR Croatia: administrative intervention in the distribution of income and personal incomes, devised in the Federal Executive Council at the outset of 1987, brought about an abrupt drop in worker income which the economy could not support without displaying the features of recession. Average personal incomes in the economy went in a few months from the highest level of all time, reached in December 1986, down to the 1965 level. Total personal incomes paid out throughout 1987 were 9.2 percent lower than in the previous year; if the standards embodied in the Social Compact on Income had been applied to the letter, total personal incomes would have been 18 percent smaller. The drop that occurred in personal incomes was instrumental in disrupting turnover in the trade sector, and the personal consumption recorded in 1987 was 3.8 percent less than a year earlier. The drop in demand contributed to the growth of inventories of finished consumer goods and to the drop in the output of consumer goods after April 1987.

The insufficient growth of exports, declining imports, and the very rapid drop in personal consumption, accompanied by a decline of investments, drove the economy into a recession, and since March total industrial output has been dropping. Thanks to the extremely high level of industrial production carried over from 1986, total industrial production in 1987 was 2.7 percent higher than a year earlier in spite of the practically uninterrupted drop over a period of 9 months. Along with the 2.2-percent drop in the social product of the trade sector, stagnation of the construction industry, stagnation of agricultural production, and the feeble growth of tourism and hostelry (2 percent), the social product of the socialized and private sectors of the Croatian economy grew only 0.9 percent in 1987 over 1986, instead of the projected 3.5 percent.

The decline of investments had an essential impact toward a decline of economic activities and a drop in current industrial output. Total investments in expanded reproduction and working capital, 16 percent below 1986, could not guarantee a growth of production intended for export, still less facilitate structural changes necessary to increase competitiveness on the world market. The only good aspect of this decline of investments is that still greater resources were not spent on nonexport programs, since even in view of the limited nature of resources, the share of new starts of capital investment projects in the export industries dropped from 8.2 percent in 1986 to 3.6 percent in 1987, while the share of construction work in the estimated cost of investments in productive plant rose from 45.2 percent in 1985 to 56.2 percent in 1987, while at the same time the share of imported equipment dropped from 7.9 to 4.6 percent. Instead of reconstruction and modernization of production operations oriented toward export, there has been an increase in the share of utilities and municipal services and the electric power industry in new starts of capital investment projects.

The drop in capital investments was first of all a consequence of the economy's extremely low rate of capital formation. The decline of accumulation took on dramatic proportions in 1987 and drove the economy to the verge of a decrease of permanent sources of business assets and complete dependence on the banking system with respect to financing expanded reproduction. The economy's rate of capital formation fell from 15 percent in the first 9 months of 1986 to 3.8 percent of the economy's income over the same period of 1987; at the same time the reproductive capability of the economy—which includes both simple and expanded reproduction—fell from 23 to 16.5 percent of the economy's social product. There is a twofold reason for this: on the one hand the institutional system for distribution of income, which is overregulated, but unsuitable for the creation and preservation of savings, has been unable to emancipate the economy for independent financing of expanded reproduction, while on the other hand the price controls and exchange rate controls have placed entire segments of the economy in an adverse position in primary distribution, have been involved in the enormous losses which have been shown, and have been making it impossible to distinguish the real losses from the paper losses.

The system for distribution of income made it possible for the abrupt expansion of the money supply in mid-1986 to be turned into effective demand by being siphoned off into personal incomes. Aside from contributing to the stagnation of exports, this at the same time created a situation in which the workers could no longer be motivated to raise the productivity of labor, since instead of rising in 1987, personal incomes fell almost 10 percent.

Losses were extremely high over the first 9 months of 1987. In the economy the growth of losses was 155 percent in real terms, which is really exceptional when we take into account that the social product was not decreasing over that period. But these losses are largely

fictitious (although they are quite real to the workers who experience them and suffer from them), and that not because of the revaluation of inventories, depreciation, and business assets, but because of administrative control of prices and dinar parities. The main reason for the existence of the market in an economy based on economic laws is the selection of producers that takes place: marginal cases go into losses and bankruptcy—which does not mean that they cease to operate, but that they begin to operate with a new organization (this is precisely what we miss most). But a market without the free setting of prices is not a market, and that is why we cannot definitely say that the particular producers have suffered real rather than administrative losses. The free setting of prices is the main condition for normal business operation of a market economy, and the growth of prices is held back by means other than administrative measures.

The same shortcoming is evident in the system for establishing the exchange rate of the dinar relative to other currencies. The only fair exchange rate is the market rate, since there is no other measure by which to establish the natural price of currencies. Because of the inadequate depreciation of the dinar against the currencies of our main foreign trading partners over the last few years, especially from June 1986 to February 1987, a number of export industries experienced supportable losses. Branches of industry identified as export branches on the basis of the share of proceeds from the sale of goods on the foreign market in gross income recorded an 865-percent growth of losses in real terms in the 1st half of 1987 as compared to the same period of the previous year. At the same time, the growth of losses in other branches of industry was 1.8 percent.

Inflation in 1987 soared at growth rates unprecedented until recently—retail prices jumped 120.6 percent compared to the 1986 level, while current growth in 1987 was 170 percent. The monthly rise of prices was relatively stable in the first 3 quarters of 1987, with a slight drop in the monthly rates until May and a renewed growth to September; the average monthly rise of retail prices in the 1st quarter was 7.6 percent, producer prices of industrial products rose 7 percent, and the cost of living 7.6 percent, while in the 3d quarter the monthly growth rates of prices amounted to 8.3 percent, 9.7 percent, and 8.9 percent, respectively. These rates are extremely high, but the growth rate of retail prices, as the principal indicator of inflation, which was between 7.6 percent and 8.3 percent on a monthly basis, was neither impressive nor disturbing, especially since it is completely clear how it occurred, and least of all can it justify the campaign of hysteria which was the prelude to the complete meddling of the government in primary distribution and administrative control of business conditions for economic entities, as it does anyway on behalf of protection of economic laws.

There were basically four factors bringing about the acceleration of inflation. The first, which directly leads to acceleration of the rise of prices, is the excessive growth of the money supply. We must first rid ourselves of any illusion about the restrictive nature of Yugoslav monetary policy: the fact that the money supply has been growing "considerably more slowly" than the nominal growth of the social product, with its growth being corrected quarterly, does not qualify monetary policy as restrictive when that same money supply, instead of growing more and more slowly, has been growing ever more rapidly from one period to the next, and this over years, so as to fit the textbook definition of an "elastic" money supply, which is the last thing we need, since it speeds up business cycles. Since that quasi-restrictive note issue is independently affected by changes in the velocity of the circulation of money, which is sensitive to changes in interest rates, prices, and the level of utilization of production factors, we can immediately conclude that no restrictive monetary policy was in fact ever conducted. What is more, we do not abide by even this kind of comfortably defined note issue policy: with respect to the growth of the money supply the quantitative plan of monetary and credit policy for the first 9 months of 1987 was exceeded even in August by 469.6 billion dinars, or 36.1 percent. The main reason for this failure was the policy governing limitation on lending, which makes it possible for the banks to increase their lendings up to the established limit regardless of a reduction of nonmonetary deposits in the same banks. That is what happened in Croatia in the first 8 months: lendings grew by 2,341.7 billion dinars within the planned limitations, but nonmonetary deposits, instead of the planned growth of 770 billion dinars, accomplished a growth of 9.5 billion dinars. Thus personal savings, for example, were dropping, funds set aside by investors were declining, and credits on investment projects were rising, so that their share in the financing structure of investment projects rose 20 percent. In other words, the economy and the personal sector are saving less in the banks, and the banks are lending more and more money instead of less. Such a practice cannot be encountered in countries with a banking tradition and a restrictive monetary policy. The solution lies in abandoning the policy of limiting lendings on behalf of the conventional policy of reserves—as soon as reserves meet the prescribed limit, a reduction of deposits automatically entails a reduction of lendings.

The second reason is the uncontrolled gray issue of notes. The issuing of money surrogates has a cumulative effect on the long-term nonrestrictiveness of official monetary-credit aggregate; this has been done continuously by economic entities—quasi-money in the form of checks and promissory notes of the economy in June 1987, for example, were 287.1 percent greater than in the same month of the previous year, and their share in receivables form customers increased over the same period from 15 to 28 percent; in that same period receivables on which instruments for security of payment had not been received rose 107.7 percent. The dimensions of gray note issue was not even suspected before the scandals with promissory notes broke out in the middle of this year. The way out is on the one hand

to strengthen financial discipline, which in part has already been done as an epilogue to those scandals, and on the other hand it lies in defining the methodology for ascertaining the volume and growth rate of gray note issue that would serve to fix the volume of official note issue so that the cumulative result would be kept within the limits of a new restrictive policy.

The third factor in the uncontrolled growth of inflation is operating through the mechanisms of the first and second factor, but actually it is their cause. The reference is to the system for distribution of income, which in one form or another has been creating inflationary pressures for long years now both in Croatia and throughout Yugoslavia. Perhaps the best example is 1987 itself: as we have already mentioned, distribution of income contributed to the decline in the economy's capital formation from 15 percent of the economy's income in 1986 to 3.8 percent in 1987, which is on the verge of disinvestment and shrinking of permanent sources of business capital. Such developments would lead us to permanent stagnation of economic activities if on the other side investment projects were not being given deficit financing from note issue—the outright printing of money. In part, this solves the problem of investment and expanded reproduction, but a chronic problem is created of generation of inflation by the issuing of notes. Thus a system for distribution of income figures as the fundamental factor in the overall rise of prices.

The last, although perhaps most important, is the psychological factor. The economy and the population have for such a long time been producing, distributing, exchanging, and spending under conditions of high inflation that inflationary expectations are deeply rooted in every citizen's psyche, be he producer, manager, or consumer. The economic tissue has become so sensitive to the constant changes of economic policy that prices, and frequently even personal incomes, jump up some 10 index points as soon as any anti-inflation pamphlet is mentioned in the corridors of the parliament. First, to prevent reactions of that kind price controls as such have to be eliminated altogether, at least gradually. Second, a program for gradually reducing—not inflation, but the growth rate of the money supply, needs to be adopted, not in the form of a resolution, but in the form of a law, until within a period of several years it is brought down to an annual growth of about 5 percent. This program does not preclude the application of other programs; indeed, the more confidence sponsors of anti-inflation measures have in their effectiveness, the easier it will be for them to adopt this kind of limitation on the growth of the money supply, since in the context of declining inflation a faster growth of the money supply would simply be superfluous. This would turn on its head the present sequence "nominal growth of the social product—growth of the money supply in keeping with it—new rise of prices since note issue has guaranteed nominally effective demand," and we would get the sequence "complete certainty of restriction of the money supply in the next period—price rises in keeping with the projected growth of the money supply and a consistent growth of effective demand—programmed restriction of the money supply justifying the expectations of business people and the population and dissuading skeptics—a larger reduction of the price rise than in the first cycle or an essential reduction of the price rises by the skeptics who got burned in the first cycle." In this way we would quite certainly arrive ultimately at zero rise of prices, but that is not the objective, nor is it necessary.

On the other hand we could behave like the governor of the central bank of the Weimar Republic, who said that the machines printing money in his bank had no role whatsoever in the 3 billion-fold rise of prices that occurred between 1920 and 1923. Even in his time Karl Marx wrote in the first volume of "Kapital" that "the quantity of resources in circulation is determined by the sum total of prices of goods in circulation and the average rate of the money circulation," ..."and if paper exceeds its measure, i.e., the quantity of gold money of the same demonination that could be in circulation, then, and we will not even mention the danger of general discreditation, within the limits of the commodity world this would still represent only that amount of gold which is determined by the internal laws of trade, that is, the only quantity that can be represented.

All four causes of the rise of prices would be most powerfully affected if the dinar went onto a modified gold standard with fractional reserves, which would impose a certain discipline on our monetary policy.

"Since money...is the measure customary in buying and selling, everyone who has anything to sell and does not find a buyer immediately thinks that the shortage of cash in the country or his district is the reason why his goods are not moving, and thus everyone complains about the 'scarcity of money.' But that is a big mistake...what do these people really need who are howling for a growth of the quantity of money...the tenant complains...thinks that he could sell his products at a good price if only there were more money in the country.... It seems, then, that what he needs is not money, but a good price for his grain and livestock that he would like to sell, but cannot.... Why is he not getting that price.... First: there may in general be too much livestock and grain in the country, so that most of the people on the market are selling just like he is, and only a few of them want to buy, or again the regular relaxation of the market through exports has stopped...or, third, consumption is dropping off when the population, say, is not spending more than before for its household because it is poorer. The tenant, then, would not be helped by an increase in the quantity of cash, but by removal of one of these three causes which actually are putting pressure on the market." (Sir Dudley North, "Discourses Upon Trade," London, 1961)

So this is where 2 years of administrative control by the Mikulic government has brought us. On the eve of 1988 the economy practically experienced a collapse through

the combined impact of the drop in production, exports, imports, investments, accumulation, and personal incomes. The manifestations of that collapse are perhaps not dramatic, since we do not have stock exchanges, and people are not jumping out of the window, but it is clear to everyone that we have become the sick member of Europe, that misery and poverty prevail, that the economy cannot buy machines nor can citizens buy housing.

The New Radicalism

To halt the decline and get production going in 1988 we need to change the program or the antiprogram, since the Anti-Inflation Program is nothing other than an extension of the Mikulic program.

We should adopt as the basic prerequisite holding the country's foreign debt at the level of end-1987. No new net borrowing should be counted on, since that would signify a growth of the debt abroad, which is not acceptable unless lasting steps are taken toward a growth of exports of goods and services.

In other words, in 1988 we can count only on our own capital formation to finance the sphere of working capital, to modernize export capacities, and to build the necessary infrastructural facilities. We cannot count on additional accumulation from the direct investments of foreign partners in 1988 because of the time it takes to conclude contracts and design major projects. The preparation of large projects such as the Adriatic Superhighway should be tackled as much as possible so that construction might begin in 1989, especially since definition of such undertakings is a natural area for the republic to involve itself in the economy, in cooperation, of course, with the economy, not bypassing it. This also includes the definition and operationalization of industrial free trade zones that would embrace not marginal areas, but entire regions such as Zone B, for example. There should not be any justification for further tardiness in getting this job done.

From this standpoint the question of whether the debt should be held at the same level by rescheduling or refinancing is irrelevant. Because the result is the same: the absence of inflow (as well as outflow) of capital from abroad. It is an illusion to expect new net accumulation from a rescheduling of the debts or any change whatsoever from the situation that we have had for 6-7 years now. Since 1980 the Yugoslav foreign debt has ranged at about $20 billion: it was at that level during the rescheduling and the stand-by arrangement, and after that, when the program was replaced by regular refinancing of the debt through the standard banking operations of assuming new financial and commodity credits (most of which are revolving credits anyway) accompanied by simultaneous repayment of the principal of the old credits. The net result was zero by definition, and that is why there is no point at all in talking about the billions of dollars of the principal that we have repaid or which are still waiting for us—until the country's foreign debt is reduced, the de facto situation is that not a dollar of the principal has been repaid. That is why the announced rescheduling of the debt is no improvement whatsoever of economic conditions nor of the accumulative capability of the economy, but it could prevent a deterioration of the situation which the debt policy of the federal administration has brought us to.

The status of the debt ranged at about $20 billion until somewhere in 1986. Over the next 18 months there was a real repayment of principal and reduction of the debt by about $1.5 billion ($1.2 billion in 1986). That would still be fine if the reduction had not been achieved at the expense of the country's foreign exchange reserves and had not thus led the banking system into a crisis of external liquidity. In May 1987 Yugoslavia was forced to declare a 3-month moratorium on $240 million of the debt; even in July the banks were late with current payments of another $350 million, and unpaid credits which had come due amounted to $179 million.

Everyone knows what happens to a country's credibility when it has to admit its inability to repay debts: the spread (margin) grows on the LIBOR (London Interbank Offered Rate), which means an increase in total interest on the principal, and the next step is that access is closed to international financial markets. That leaves nothing but summoning a mission of the International Monetary Fund and negotiating a rescheduling of the debts, which reopens the doors of financial markets, but now at higher rates of interest which must cover not only the regular costs, but also the costs of rescheduling. At this point, in order to strengthen their negotiating position, the activists in the debtor's club take a stand and threaten reduction of repayment of interest on the principal. In the last rescheduling we had to consent to higher rates of interest than those on the market, and we have yet to see the outcome this time. It is certain that before May we had a much stronger negotiating position than under present conditions, even including the newly embraced militance.

From the standpoint of SR Croatia, what is more, the rescheduling is the poorer alternative for maintaining the present debt level. With a surplus in the balance of payments (excluding transfers) of $850 million in 1987, which represents about 28 percent of Croatia's total debt abroad, we are de facto an excellent credit risk and we ought to be able to obtain credits at preferential rates of interest on financial markets, not at interest rates burdened with the costs of rescheduling which we will have to accept because of the discredit we already experienced last May.

Whether interest rates are higher or lower, the antiprogram was drafted, then, on the assumption that the debt would not increase or decrease. Aside from that prerequisite, there are four conditions that have to be fulfilled for it to be feasible:

(1) A real devaluation of the dinar against a market basket of convertible currencies, following which and on top of which would be a continuous sliding of the dinar in keeping with the rise of retail prices. A 25-percent devaluation must be carried out to bring the 1988 dinar into parity with the 1983 dinar, so as to reestablish the economy's competitive conditions that prevailed before our strongest export boom, and another 15 percent so as to offset lost income and the losses created after the agreed policy of the real exchange rate of the dinar was replaced by the "ingredients" in June 1986 and to recover the markets lost because of the diminished competitiveness of the economy. That is approximately the size of the devaluation that would guarantee reestablishment of the foreign exchange market, and right now is the time to reestablish it. The rescheduling will guarantee financial stability for those who do not believe in their creditworthiness, there will be no repayment of debts, and the country's entire inflow of foreign exchange, amounting to some $10 billion or so a year, will be available for exchange at the rate that equalizes supply and demand and will not essentially differ from what we have mentioned. The market is reestablished on behalf of distribution of scarce goods, and it is not reasonable to wait for a time when there is enough foreign exchange, since then we will not need a market either. Formally, it would be enough to demand abandonment of the use of Article 110 of the Law on Foreign Exchange Transactions, since it is permissible to invoke that article only in exceptional situations, but the shortage of foreign exchange in our country is the regular situation, and a surplus of foreign exchange is so exceptional that it has never occurred at all.

A devaluation of this size is indispensable for new industries to undertake export competition. In Croatia in 1987 only eight industries are identified as export industries. Those industries employ 30.9 percent of the industrial labor force, but they create only 19.4 percent of the gross income of industry. The high growth rates of exports programmed for 1988 and following years cannot be achieved exclusively by increasing the production of existing exporters because of restrictions related to the market, production, and raw materials, but rather new industries have to enter the export race.

Raising the retention quota in the inflow of foreign exchange is perhaps sufficient to increase the exports of existing exporters, but it has no influence on the export motivation of other producers. They need a devaluation of that size so that with their standard and product quality they become competitive in their class without going into losses, that is, after conversion to dinars their low dollar price will cover their costs, depreciation, and income.

(2) If the foreign exchange market is reestablished, there is no need at all for retention quotas, since every exporter or importer can at any moment buy the amount of foreign exchange necessary—if he is solvent. What that means is best known to business executives whose inventories of work in process have grown because of the shortage of spare parts or imported components which perhaps represent 1 percent of material costs. Without a foreign exchange market that problem can be solved only with the retention quota, since waiting for administrative determination of the quota or exceptions is incompatible with present-day technological processes and commercial customs of our foreign trading partners. If there is no foreign exchange market, then, there needs to be a retention quota of at least 30 percent. The system of retention has two advantages: one we have already mentioned, and it has to do with the unhampered process of production for export; the other is for the quota to offset in part the loss occurring when the official exchange rate is set higher than the real rate, first because the quota does not change the form of foreign exchange and retains its real value by contrast with ceded foreign exchange, and second, on the basis of pure calculation, because the foreign exchange represented by the quota is an exceedingly rare commodity and as such has a much higher exchange rate (and value for the holder) than the real rate.

The best system of retention is the one we have already had, with foreign exchange accounts of economic entities, but which the tribunes of the people abandoned, undertaking to row over the water without drinking in spite of their thirst, with promises that the unified foreign exchange market was about to be reestablished.

Certainly, the purest and most effective is the system of the free foreign exchange market, since it liberates producers from the dilemma of whether the foreign exchange, when it enters the administrative millstones, goes to workers or idlers—simply because they are no longer interested, since they have received the full price for their foreign currency.

(3) The third condition of the antiprogram is to abandon the limit on lendings as an instrument of credit-and-monetary policy. Aside from the pouring of oil on the fire of inflation we have already mentioned, the policy on lendings has been frustrating the performance of capital investment programs and must necessarily be changed if we want to have a clear situation with respect to financial sources to cover the capital investment projects which are planned. If we plan and achieve a certain growth of accumulation of the economy and personal savings and at the same time reduce them by the same amount of altogether real expenditure (which could be realized if the money were not deposited in banks but passed over to consumption), we have to invest the total funds set aside into equally real investment projects. What has happened, however, is that because of the limit on lendings a part of the money was never turned into capital assets, but remained in bank accounts and lost its value.

This is only the first part of the problem; the second has to do with the system for primary note issue. The policy governing the limit on lendings should be replaced by a

universal and uniform level of compulsory bank reserves on deposits, and the movement of the money supply should be controlled by buying and selling securities on the Yugoslav money and security market (as a market, not as a juridical person coming from outside the system convenient for getting around credit policy, which is the purpose at present), and a policy governing the level of the rate of compulsory reserves on a long-term basis. While formation of total bank reserves and cash in circulation—the monetary base of the money supply—lies in the jurisdiction of the National Bank of Yugoslavia, the conduct of economic policy by sectors lies in the jurisdiction of the republics and provinces, and selective discount policy falls in the domain of their national banks.

(4) Once the conditions have been safeguarded for free lending of the accumulation and savings built up in the banks, a system for distribution of income also has to be reestablished so as to create that accumulation. The present system, embodied in the Social Compact on Income, which was aimed at effective economic employment of socially owned assets, which is a euphemism for creation of acceptable accumulation, has not been successful in this. Of the 981 billion dinars set aside in the first 9 months of 1987 for the economy's reproduction, 578 billion pertain to depreciation and 465 billion to revaluation, i.e., funds filled on the basis of fixed rates, while the contribution of the appropriation of capital from income, thanks to the system of variable rates elaborated by the Agreement on Income, amounts to 62 billion dinars, not counting the costs of enforcing the Agreement, which means that the permanent assets of the economy are shrinking. The problem of the Agreement is that it is overregulated, and yet its regulating instruments are not effective.

Back in May 1986 a warning was issued that "someone should take responsibility for putting things to rights in the disorder that will result from direct application (of the Agreement on Income), not formal responsibility for carrying out the various tasks set by social compacts, but real political and historical responsibility for the success of the conception that has been offered, since in the case of failure we will have as a result a system of distribution of personal incomes on two foundations which, because of its internal logic, is inevitably turned into a system of payment brackets, which at the same time signifies the twilight of self-management, abandonment of the market, and gradual discontinuation of the free choice of the work organization." In the meantime, the trade unions have accepted the distribution of personal incomes on two foundations with little to say about it, and now they are putting their hands to their head because of the newly proposed taxes on the remainder of net income after personal incomes have been subtracted from current operation. If that should be accepted we can dissolve the trade unions, since it is not capable of protecting the interests of the workingman and would therefore fulfill the criteria of a superfluous social overhead, which we already had decided to cut back on.

The system governing the distribution of income must basically guarantee two things: the accumulation that can support economic growth and incentives for workers and the entrepreneurs that will achieve that growth, provided the medicine is not so strong that it kills the patient. Ultimately, an elastic system of accumulation accompanied by rapid economic growth will achieve a larger formation of capital than a rigid system which guarantees a certain rate of capital formation, but hampers economic expansion.

Hommage a la banque: the banking system is the basis for a dynamic and effective system of distribution—not a system of banks whose personnel are people with a good political pedigree, but a system of banking people. To be sure, we have yet to create them, but procreation takes place faster when there is an incentive.

Certainly, investment banking needs large banks, but not one bank, so that that monopoly in Croatia must above all be broken up. Beyond that, the investment banks must become independent economic entities accountable to the economy for the resources entrusted to them solely on the basis of their integrity as bankers. That integrity is verified as to the lawfulness of business operation by inspectors of the National Bank and with respect to the efficiency with which resources are used, by the owners. Since the owner of resources which are socially owned is the people, an elective body needs to be formed in the republic that would oversee the business operation of the banks as to their solvency and adhering to banking criteria with respect to capital investments. This apolitical body should be formed from competitive factions in direct elections, all members should have right of access to the business books of the banks, and creation of a monopoly of information must be prevented. That same body would also appoint and dismiss the credit committees of banks on behalf of the people. Among banks there would be complete competition, and they would be compelled to take business risks that would ensure them income. Losses, as in the economy, would be covered from the capital of the bank previously set aside from net income; of course, the credit committee would at the same time be replaced.

The fear that the state of what is popularly called the capital relation would come about is either naive or hypocritical. Basically the same system for allocation of investment resources has been in place for 20 years now, the difference being that the debtors have had a disproportionate influence on the business decisions of the banks, and members of credit committees have been exponents of various political structures, so that usually the latter were making the most important investment decisions, but they were spared the consequences because no formal structure of decisionmaking existed. In an analysis of the 10 largest investment failures in SR Croatia "it was unambiguously established" that the workers' councils of work organizations in the phase of establishment were to blame for all the failures.

Establishment of a banking system would create the basis of a sound system of distribution. Permanent sources of business assets would be transferred to the funds of banks as socially owned property, and interest would be paid on them as on all other credits in keeping with the elements of monetary-and-credit policy (to which the economy has already adapted). In such a situation net income would be the collective property of the work organization, and its distribution would become the internal matter of the collective, and self-management would take a giant step forward, since the workers would finally understand distribution (by contrast with the confusing compacts and agreements in effect), and within the given limits they would take over complete decisonmaking power. This system is not only elegant, but it is also cost-efficient: at a time when net accumulation of the economy is a marginal quantity compared to depreciation, revaluation, interest, repayment of principal, and, above all, financing by issuing notes, a more complicated method of distribution of so much accumulation would be simply out of place.

The system of distribution we have described would in addition be more appropriate to industries with a lengthy production cycle and more flexible in business cycles of a general nature, since it makes it possible to bridge liquidity crises with regular commercial credits. The banking system would then have a key role in determining which production operations are basically sound, which have temporary problems with liquidity, and which are going under.

If legal restrictions should make it impossible to form an institutional system for distribution capable of forming capital, greater reliance should be placed on another form of financial resources of the banks: savings. This system is problematical if the population has a low propensity to save, so that a number of measures should be taken to instill confidence in the financial institutions, to guarantee conditions that encourage dinar and foreign exchange saving, to operationalize direct investments in the socialized sector through securities, and to create a favorable climate for making entrepreneurial activity a widespread phenomenon. Personal incomes would continue to rise in the proportional distribution of the net income, personal savings would directly and also indirectly cover an ever larger portion of investments, and we would thus arrive at the system of financing expanded reproduction usually referred to as the new collectivism.

These are the conditions for an economic resurgence in 1988. If they are not brought about, the picture of this year will be essentially different.

A Time of Catharsis

Calculations which have been made under these conditions have shown a break in the trend toward the end of 1987 and beginning of 1988 and a current economic growth of industrial production of 6.3 percent this year. Because of the low level of production at the beginning of the year total industrial output, in spite of the monthly rates, which have been the highest in the last 8 years, would be only 1.6 percent larger in 1988 than in the previous year. At that growth of production personal incomes ought to be 0.2 percent higher than in 1987, and that with a current growth of 11.4 percent in 1988; average personal incomes would be 1 percent lower than last year. However, how many of these conditions have been brought about?

Instead of a 40-percent real devaluation, the dinar received a 10-percent adjustment related to the reduction of export subsidies and a 25-percent adjustment as a compensation for the jump of prices that occurred through the operation of "removal of disparities." Real devaluation ranges somewhere around positive zero.

The tug-of-war over the retention quota has so complicated the initial proposals that it would be better to abandon the demand to amend the law and allow the system to go to ruin in full form.

The limits on bank lendings have been removed, which is the less important part of the job, since even in 1987 there were no limits on bank lendings for priority purposes, which toward the end of the year constituted the bulk of the credits approved, and they were an escape valve for financing reproduction regardless of purpose, and legal reserves on lendings were not abolished, but indeed expanded. The other part of the job was not done: instead of neutral note issue on the market, we still have administrative distribution of primary money to the republic and provincial national banks.

Removal of the limit should have only one function: to make it possible to lend out the capital formed. But look closely at what is happening: prices are fixed arbitrarily, the economy is running into losses, and there is no capital formation! They played a good joke on us.

These were the conditions for economic activity in 1988. The dominant motivation of economic activity in the self-managed economy is income, and exports are not for us an end, but a means. Since we cannot eat dollars, and food is purchased for dinars, not for dollars, the only relevant consideration is whether exports bring in income? If we are forced to run losses in order to subsidize the low price of that dollar, we will have to abandon the orientation toward export on the basis of elementary commercial reasoning. We ought to create a new system for financing investments so that this component of final demand could take over the role of an accelerator of economic growth. But that will not be feasible this year. Instead of the envisaged 1.6-percent growth, production will fall off, personal incomes will not stay at the same level, but will continue the drop that began last year, and exports will stagnate instead of the 8.4-percent growth that was outlined.

And still the question of who is to blame?!

If this economy is to survive, the government must fall! Not because of personal incompetence, but because this policy must fall, and the government epitomizes it.

It is not a question of Branko Mikulic, who is the most expert in this management school of socialist realism, but of the great scheme whereby the road to power was traveled and which still thinks of going on playing games without limits, switching from one means to another at its own discretion. These people know nothing about economic laws, nor do they wish to. They do not want to understand that today's economy is too complex to be run by decree: the worldwide administrative empires are leaving their economies to the market, and the generals are turning power over to civilians, since they do not know how to solve economic problems.

Branko Mikulic must leave office honorably, since he was the best and since he gave all he had; when he was unsuccessful, no one could have succeeded with that policy.

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Reopening of White-Elephant Feni Nickel Plant Proposed

28000098 Zagreb VJESNIK in Serbo-Croatian 7 Apr 88 p 5

[Interview with Ivica Karnincic, director of "Dalmacija" Ferroalloys Plant, by Milan Mudronja: "'Feni'—Profitable Investment!"; first paragraph is introduction]

[Text] Ivica Karnincic, director of the "Dalmacija" Ferroalloys Plant, says that the resplendent upswing in the world metals industry, including nickel, makes the reopening of the "Feni" plant in Kavadarci a highly topical issue, and that an 80 percent utilization of capacity would yield exports valued at $150 million. Even foreigners are interested in this white elephant (?) of ours.

"I believe that the 'Feni' metalworks in Kavadarci, which throughout all of Yugoslavia has become a synonym for failed investment and bad economic and technological policy and practice, could be a good and useful investment. It could become this if deliberate, 'hard-headed' and full consideration is given to the current worldwide upswing in the metal industry, among other things in nickel. The price of the latter, a rather rare metal throughout the world, is presently six times higher than during the period when Macedonia's 'Feni' started up, tied up in its accompanying and understandable 'childhood ailments.' My opinion is that the reopening of 'Feni,' given an 80 percent utilization of capacity, would yield exports valued at around $150 million."

These are the words spoken during an interview by VJESNIK with Ivica Karnincic, general director of the "Dalmacija" Ferroalloys and Automation Plant in Dugi Rat, certainly one of the better-known Yugoslav businessmen in the area of ferroalloys and a leading expert on conditions on the world metals market.

"To a certain extent, I must immediately disassociate myself from my own assessment. This is not because of any doubt that the reopening of 'Feni' would be an advantageous step, but rather because of the two things that I do not know with certainty. The first is the extent and degree of technical and technological readiness of the 'Feni' plant—in other words, to what extent is it ready and able to open without some amount of further investment? The second question has to do with the readiness and determination of primarily political people, economists, and bankers in Macedonia to reopen that 'white elephant,' after everything that has happened with 'Feni.' It is not simply a matter here of delicately 'weighing,' in business terms, the question of whether or not to take this step (based on the logic of the market and of profits); rather, it is a question of envy, of pangs of human conscience, of acknowledging, if you wish, one's own wretched behavior. And exorcising this complex is not at all a simple thing."

"Feni" Born at an "Inopportune" Time

[VJESNIK] Even if one takes into account these reservations that you just explained, one would still have to say that the public will certainly be surprised at your expert assessment, almost that it will be shocked...?

[Karnincic] "In our job," says Ivica Karnincic, who is known both for his acutely critical ideas and for his exceptionally well-managed staff, "there can be neither doubt nor improvisation. Either something is, or it is not! I have been in ferroalloys for a long time, more than 20 years, and I think that I have mastered all the basic secrets associated with technology and marketing in that industry. There have never been more favorable world market conditions for most metals than there are today. For example, 'Dalmacija' in Dugi Rat this year will realize a superior yield in exports of ferrochromium and ferromanganese—around $32 million. Even when the situation has been top-rate for us, we have not earned that much."

[VJESNIK] Among the things that could be said, you suggest the story about cyclical movement on the world market: first it is kind, then it is cruel?!

[Karnincic] "No, not at all! Whoever does not want to subscribe to those 'rules' should not go out into the world, to work! Without going into the actual mistakes made in realizing the 'Feni' project right now, the irrefutable truth remains that market conditions were of no help to that large Macedonian metalworks. It came into being during a rather delicate time when, because of low prices, all worldwide producers of nickel were suffering losses while at the same time new capacities were springing up. When plans were being drawn up for 'Feni,' the price of nickel on the world market was

relatively stable, four cents a pound (0.4536 kg), which at the time was a good price. However, when the capacity in Kavadarci started up, the price had been cut in half—to around two cents a pound, later to fall to only 1.7 cents a pound. After that, the price of that metal, which is valued and needed for the production of special types of steel, for several years ranged between two and three cents per pound on the world market."

Signs of Recovery in World Trade

[VJESNIK] Now the price of that white metal has suddenly soared...?

[Karnincic] "Exactly. There has been an extraordinary expansion of the market, and I think that this is a clear sign of a gradual recovery in world trade and the world economy. It is not only nickel that is on the rise, but also many other high-grade alloys of aluminum, copper, zinc, steel... How long this will last, I don't know, it is hard to predict, but the upswing is very pronounced. Take nickel as an example. During the second half of 1987, the price of it abruptly began to rise; at the end of the year it was five cents a pound, in mid-March the price on world exchanges was already 7.5 cents, and presently, a few days ago, traders were paying 10.5 cents a pound. It could go up even further, but in all honesty I don't think that this situation will last for long. In any case, one should expect that its exchange price will stabilize between five and six cents a pound, and that is a decent market price."

[VJESNIK] ... which leads you to conclude that we should react to these events by reopening "Feni"?

[Karnincic] "If these data about market conditions are not plausible, then check with the Kosovo producer of ferronickel in Glogovac. I remind you that that plant was set up in the not exactly rosy setting of Kosovo economic realities. There were even advance signs of the possibility of serious difficulties, because credits and production costs placed a considerable burden on revenues. Since the price of nickel has been on its dizzying climb that story has faded away. And it is normal that it should do so. We at 'Dalmacija' in Dugi Rat, with the cyclical trends that we have encountered, have fortunately stayed alive, thanks to our own vitality and long tradition. When I point this out, I don't think that I am revealing anything new: In the world market economy, with the relentless activity of a series of factors essentially tied to variable market conditions, this type of reorientation to the 'hot-cold' style is not an insignificant phenomenon. I believed that when 'Feni' closed that was not its final destiny."

World Leader

[VJESNIK] Thus, the upswing in the market is in your opinion the main trump card when thinking about "Feni"?

[Karnincic] "Once again I emphasize: It was because of a concurrence of events that 'Feni' did not prosper; it started up at the wrong time and was thus proclaimed to be a serious economic failure. Even VJESNIK recently printed a statement by an esteemed comrade in Macedonia to the effect that that the ill-fated, now predominantly 'mothballed' plant has cost that republic, including interest, an extraordinary amount of money—a total of $603 million—and that the majority of that foreign exchange has been paid off. I, of course, do not know all of their internal calculations, but solely from a professional business—or more precisely, a market—perspective, I can estimate that the revival of their production today would be a good business move. After all, 6 years ago when it was completed and briefly put into production, that metalworks was the most modern in the world. I think that even today it is a technical and technological world leader."

Mineral Reserves—Considerable Advantage

[VJESNIK] But what would happen if, following the logic of the market, new producers of nickel emerged right now or in the near future, looking for and finding this upswing-profit connection? Could the reopened "Feni" not again be pushed against the wall?

[Karnincic] "I think, and I would even state categorically on the basis of our many years of experience, that the prices of ferroalloys, and thus of nickel as well, will stabilize at a level higher than it was until only recently, at any rate lower than the current exorbitant level. That is one possible response. The second response is even firmer and more reliable. As much as I follow the total ferroalloy market, and I think that I have solid knowledge of it, I am able to say that the special advantage enjoyed by 'Feni' is its significant reserves of nickel ore. Macedonia's deposits of nickel are large, but in these ore deposits there is about one percent nickel. But let me add right away that with this type of ore the percentage will not rise above one and a half percent anywhere in the world, regardless of whether we are talking about so-called sulfide, silicate or arsenide mineral compounds, which makes production of this mineral both rare and rather expensive throughout the world. However, one should not lose sight of the main trump card: World deposits are limited, and there are only a few countries in the world producing nickel, at most five or six. And we are one of them. In view of this, the appearance of new producers and expansion by new competitors is scarcely probable."

Three Solid Points—For a Decision!

[VJESNIK] It is strange that—taking into consideration everything that you have set forth—the world metallurgical business has not yet come knocking on the door of "Feni" and Macedonia, showing interest in restarting production at that enormous and expensive plant, or even—in keeping with our discussion on the need to

open up the economy and make closer contacts with world capital and business—proposing a model for joint exploitation or, for example, leasing?

[Karnincic] "Who says that world producers and traders in ferroalloys haven't already done that!? Some of them, our long-term business partners, have done so in part through us, that is, through 'Dalmacija.' As businessmen and patriots, we informed the Trade Section of the Yugoslav Embassy in Washington of this, since we were dealing with interest by businessmen from the United States, and we also took these inquiries and initiatives to several business colleagues in SR Macedonia. From what I know, some of the interested foreign firms are proposing a leasing arrangement for the 'Feni' plant for several years, but unfortunately I do not know anything more about the terms."

[VJESNIK] As a successful businessman, what concrete steps would you take, how would you react?

[Karnincic] "I certainly wouldn't sit around with my arms crossed! I would see to it that a diverse cross-section of the most noted experts be assembled and that in as short a time as possible all of the interesting and attractive initiatives be studied thoroughly. And then, on the basis of the professional-business opinion and assessment, I would 'push the decision': either this or that! I am continually uneasy about the notion that the 'Feni' plant is modern, since I do not know to what extent it has been well-preserved and protected. And secondly, is the ore a solid basis for commercial production. With a good market price there would have to be that crucial 'triangle' for decisionmaking. One circumstance that can to a certain extent aggravate decisions is electricity. In Macedonia, it does not flow readily, and a fair amount of it is consumed in the nickel production process, as is the case with the production of other ferroalloys and metals. But this would not have to be a problem if there were greater efficiency."

[VJESNIK] Does all this mean that you are telling us that you in fact could be the man who could come to the assistance of our comrades in Macedonia?

[Karnincic] "Why not, if they are seeking our professional assistance. You know, under no circumstances would I want what I have openly told you to be interpreted by anyone as anything other than a current, rational and, I think, sound business reflection," concluded the director of "Dalmacija" in Dugi Rat, Ivica Karnincic, in his exclusive interview with VJESNIK.

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